

MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

**Documenting Benefit To Low And Moderate Income Persons
for Economic Development, Housing, and Public Facility Projects**

MONTANA DEPARTMENT OF COMMERCE

Mark Simonich, Director

**Gus Byrom, CDBG Program Manager for Housing and Public Facilities Projects
Community Development Division**

**Karyl Tobel, CDBG Program Manager for Economic Development Projects
Business Resources Division**

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INTRODUCTION

L The Montana Department of Commerce (MDOC) has a variety of resources to assist you in preparing a CDBG grant application:

- copies of the CDBG application materials may be ordered from MDOC CDBG staff at the addresses noted on the next page in paper format, or in electronic format by e-mail, on a computer diskette, or may be downloaded from the MDOC website: http://www.commerce.state.mt.us/CDD/CDD_Home.html
- In addition to the application guidelines, MDOC has prepared supplementary materials to help local officials prepare CDBG applications and comply with the various requirements, including:
 - ~ sample income survey forms
 - ~ budget forms
 - ~ formats for public hearing announcements and local government resolutions
 - ~ computerized application formats, including checklists to help make sure that the CDBG application is complete.
- You can also borrow copies of previously successful applications submitted by other communities.

Local officials and staff or consultants are welcome to contact or meet with the MDOC CDBG staff to discuss any questions or concerns they may have regarding the CDBG application guidelines and requirements. Any inquiries regarding the program or potential CDBG projects should be made as far in advance of the application deadlines as possible. If you have any questions regarding Montana's CDBG Program, please contact us at the phone, fax, or e-mail numbers shown on the following page.

SPECIAL NOTICE REGARDING THIS EDITION

This edition of "Documenting Benefit To Low And Moderate Income Persons" includes a section, Exhibit L, "DOCUMENTING BENEFIT TO LMI FOR THE CDBG ECONOMIC DEVELOPMENT PROGRAM" which was prepared by Karyl Tobel, CDBG Program Manager for Economic Development Projects.

EXHIBIT C, "PERCENTAGES OF LOW AND MODERATE INCOME PERSONS FOR MONTANA COUNTIES AND MUNICIPALITIES", is derived from 2000 census data. The LMI percentage for a given place or county can also be found at MDOC's Community Development Division website at <http://www.commerce.state.mt.us/ccd>

In 1999, in anticipation of the 2000 Census, MDOC retained a consultant who worked with MDOC's Census and Economic Information Center (CEIC) and interested county governments to define boundaries for many unincorporated communities throughout Montana, such as county water and sewer districts. These new "census designated places" (CDP's) were, in most cases, included in the 2000 Census, which has resulted in LMI percentages and other census data being available for many of Montana's unincorporated communities for the first time.

For information regarding CDBG ECONOMIC DEVELOPMENT projects, contact:

**CDBG Program - Economic Development
MDOC/Business Resource Division
301 S. Park
P.O. Box 200501
Helena, MT 59620-0501
Phone: (406) 841-2734**

**Karyl Tobel, CDBG Program Manager for Economic Development Projects
E-mail: karylt@state.mt.us
Phone: (406) 841-2733
FAX: (406) 841-2731**

**For information regarding CDBG HOUSING AND PUBLIC FACILITIES projects,
contact:**

**CDBG Program - Housing and Public Facilities
MDOC/Community Development Division
301 S. Park
P.O. Box 200523
Helena, MT 59620 - 0523
Phone: (406) 841-2791**

**Gus Byrom, Program Manager for CDBG Housing and Public Facilities Projects
E-mail: Gbyrom@state.mt.us
Phone: (406) 841-2777
FAX: (406) 841-2771**

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TDD: (406) 841-2702

**DOCUMENTING BENEFIT TO LOW AND MODERATE INCOME PERSONS
FOR
ECONOMIC DEVELOPMENT, HOUSING AND PUBLIC FACILITIES PROJECTS**

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EXHIBITS


- A. Federal Standards For Definition of LMI Status**
- B. Sample HUD Income Limits for Determination of LMI Status**
- C. Percentages of Low and Moderate Income Persons for Montana Counties and Municipalities**
- D. Guidelines for Conducting Local Income Surveys for CDBG Projects (with Sample Size Requirements for Surveys)**
- E. Model Household Income Survey for Area-wide CDBG Projects (Which Do Not Need to Distinguish Between Moderate and Low Income Households)**
- F. CDBG Requirements Regarding Assessments and Hookup Charges**
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- H. Targeting LMI Benefits for CDBG Public Facility Projects**
- I. Sample CDBG Public Facilities Targeting Plan for Direct Benefit to LMI**
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DOCUMENTING BENEFIT TO LOW AND MODERATE INCOME PERSONS FOR ECONOMIC DEVELOPMENT, HOUSING AND PUBLIC FACILITIES PROJECTS

Introduction

The Community Development Block Grant (CDBG) Program is a federally funded grant program designed to help communities with their greatest community development needs. The program was established by the Federal Housing and Community Development Act of 1974 (42 USC 5301) and is administered nationally by the U.S. Department of Housing and Urban Development (HUD). According to the federal Housing and Community Development Act, it is the intent of Congress that the Community Development Block Grant (CDBG) Program "provide decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income."

The basic framework of Montana's CDBG Program was established in 1982 by a 14-member Task Force composed of local government officials that was appointed by the Montana Department of Commerce (MDOC) to design the State's CDBG program. The Task Force was committed to preserving the program's focus of principally benefiting low and moderate income persons. Furthermore, Task Force members felt strongly that maintaining the emphasis on benefit to low and moderate income persons was critical to assure long-term Congressional support for the CDBG program. As a result, they established the following basic requirement for every local project that has been maintained for Montana's CDBG Program since 1982:

 **Each applicant must document in its application that a minimum of 51% of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of low and moderate income (LMI) persons in the project area. Applicants must also demonstrate that any activities proposed would not benefit moderate-income persons in a manner that would exclude or discriminate against low-income persons.**

In addition to this basic threshold requirement for receiving CDBG assistance, documenting benefit to LMI persons is also important to applicants for CDBG Housing and Public Facilities funds because the percentage of CDBG funds that would benefit LMI persons through a proposed CDBG project is used in the ranking of applications during the annual grant competitions for housing and public facility projects. To reflect congress' intent that CDBG funds principally benefit LMI families, the scoring systems for both project categories assign points based on the percentage of CDBG funds that would benefit LMI persons.

The following text explains some basic concepts that you will need to understand to determine whether a project would comply with the LMI benefit requirements and how to document benefit to LMI.

All CDBG project must be designed to principally benefit low and moderate income families. Each applicant must document in its application that:

- **A minimum of 51% of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of low and moderate income (LMI) persons in the project area, and**

- Any activities proposed would not benefit moderate income persons in a manner that would exclude or discriminate against low income persons.

A. UNDERSTANDING WHAT "LOW AND MODERATE INCOME" (LMI) MEANS

According to the 2000 Census, the 1999 "median family income" for Montana, as a whole, was \$40,487. This means that in 1999, half of Montana's families had incomes above \$40,487 and half had incomes below this amount.

The federal Housing and Community Development Act establishes the definition of "low and moderate income person" which is used to determine the eligibility of families and local governments for CDBG assistance. Under the act, "low and moderate income" is based on the **greater of either:**

- 80% of the median family income for the county in which a CDBG project would be located; or
- 80% of the median family income for the entire nonmetropolitan area of the State (all of Montana, excluding Billings, Great Falls, and Missoula).



For the purpose of the CDBG program, "income" includes the gross family income or all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor.

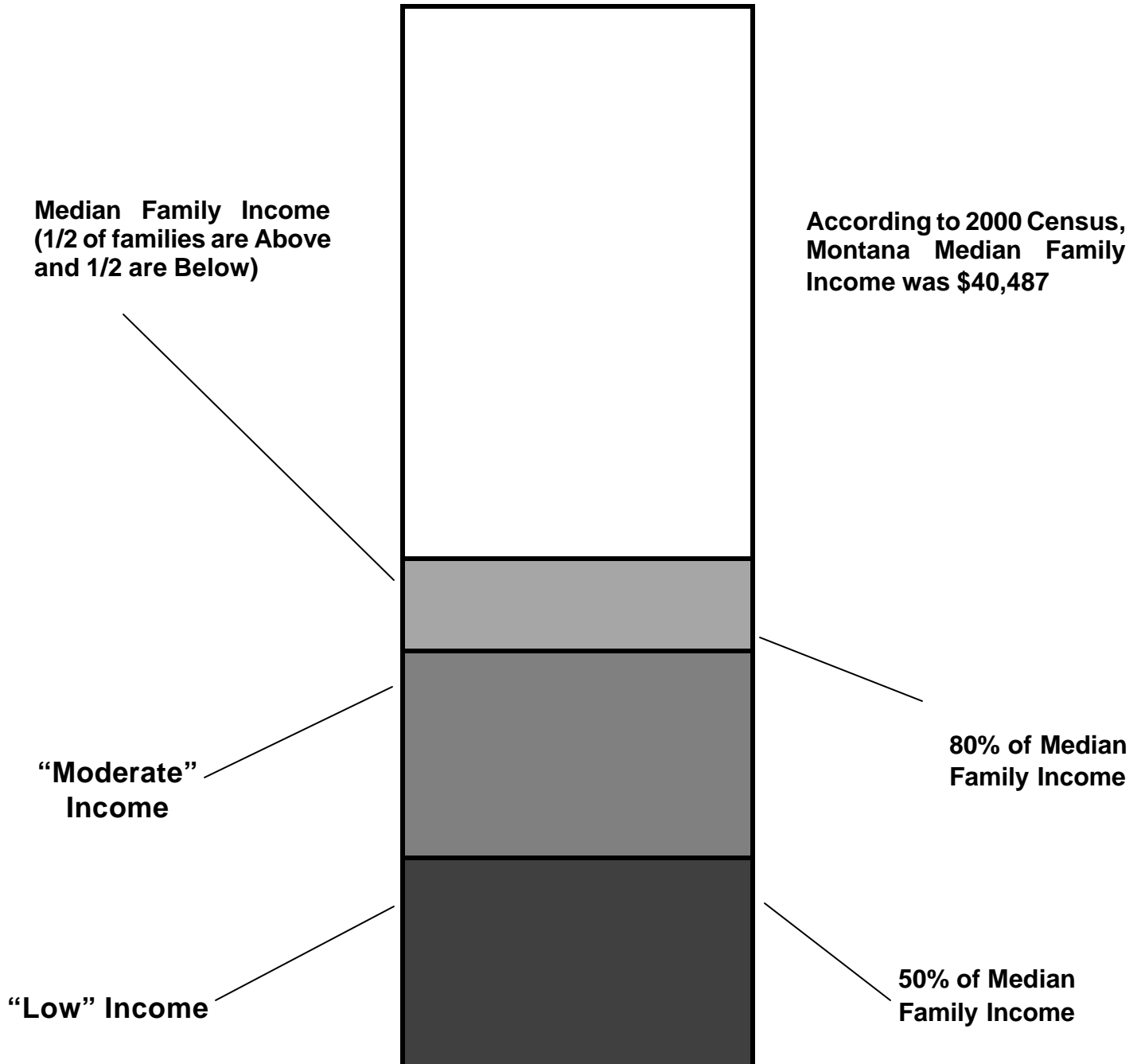
Under federal law, the CDBG program uses the statutory definition of "income" used for the Section 8 Assisted Housing Program administered by the U.S. Department of Housing and Urban Development (HUD). For reference, the pertinent sections of federal law that define "annual income" in detail are excerpted in **Exhibit A** of this guideline. **Exhibit A** also identifies some gifts or types of payments that do not have to be included when computing a family's gross annual income.

The HUD Section 8 Assisted Housing Program and the HUD HOME Program use the same income levels to define eligibility for assistance. However, their terminology for these income levels is different: "*Low Income*" for Section 8 and HOME purposes is equivalent to "*Moderate Income*" for the CDBG program, while "*Very Low Income*" for Section 8 and HOME is equivalent to "*Low Income*" for the CDBG Program. As the chart on the next page suggests, the terms "Low" and "Very Low" are probably a more accurate way to describe these income levels. Most people think of "moderate" as meaning "average" or "medium". However, for CDBG purposes, "*moderate income*" is defined as from 50% to 80% of median family income while for CDBG "*low income*" includes family income below 50% of median family income.

The specific CDBG income limits used to define "low and moderate income," according to household size, for each of Montana's counties are included in tables which are adjusted annually by HUD to account for inflation. The applicable higher amount (the higher amount of either 80% of the median income for the county or 80% of the median income for the nonmetropolitan area for the State) is already incorporated by HUD in the LMI tables. A sample table is shown in **Exhibit B**. Copies of the current LMI tables can be requested from the Montana Department of Commerce (MDOC) CDBG staff or downloaded from the MDOC Website:

http://commerce.state.mt.us/CDD/CDD_Home.html

CDBG LOW AND MODERATE INCOME



B. DETERMINING THE PERCENTAGE OF BENEFIT TO LMI FOR THE PROPOSED CDBG PROJECT

In order for any proposed project to be eligible for CDBG funding, a minimum of 51% of the CDBG dollars requested for the proposed project must benefit LMI persons. Making sure your project would meet this threshold requirement is a basic concern for any prospective CDBG applicant. Statistics used to fulfill this requirement must relate only to those LMI households or persons residing within the specified project or service area or who would benefit from the project. Sources for all statistics and the methodology for obtaining the data must be clearly described in the application.

Compliance with the 51% benefit to LMI requirement is calculated using one of three basic approaches to document benefit to LMI persons:

1. direct benefit to LMI,
2. indirect or area-wide benefit to LMI, or
3. benefit to a limited LMI clientele.

Note: Local CDBG projects can include activities that use more than one of these approaches for demonstrating benefit to LMI persons.

1. Direct Benefit to LMI

Direct benefit to LMI occurs in activities that are designed to exclusively serve LMI persons. For example, a direct benefit activity occurs when the community has income eligibility requirements that limit the benefits of the CDBG activity to only LMI families, such as a housing rehabilitation project, where CDBG funds will be used to upgrade housing owned or occupied by LMI households, or a public facility project that will pay special improvement district assessments or utility hookup charges for only LMI households.

For all direct benefit situations, CDBG recipients must document the eligibility of the persons or families that will receive CDBG benefits. Documenting LMI benefit for direct benefit projects is relatively clear-cut since potential recipients of CDBG assistance are screened against the HUD income limits for the county in which the project is located. Applicants for direct CDBG assistance must provide adequate documentation of their gross annual income.

The general concept that is applied in documenting direct low and moderate income benefit is that the greater the total financial benefit that will be provided to a family, the greater the responsibility to verify the accuracy of the family's income claim. For example, in housing rehabilitation projects, where a family may be receiving a \$20,000 grant or low interest loan, a typical approach is to require applicants for CDBG assistance to submit documentation to confirm gross annual household income, such as a copy of their most recent state or federal income tax return. Likewise, for a public facility project that will provide substantial direct benefits, such as paying for a special improvement district property assessment, the CDBG assistance may involve from \$5,000

to \$10,000 per household. In all cases, the persons receiving direct assistance need to be aware that providing false information is a serious matter and constitutes fraud under federal law.


(a) Direct Benefit in Housing Projects

Housing rehabilitation projects usually project 100% benefit to LMI household because they can adopt guidelines to assure that only LMI households will receive CDBG assistance to improve their housing units or purchase a home. In order to be more competitive, housing project applications almost always project 100% benefit to LMI.

Under HUD regulations, any activity carried out with CDBG funds that involves the acquisition or rehabilitation of property to provide housing is considered to benefit LMI only to the extent that upon completion, the housing will be occupied by LMI persons. In order for rental units rehabilitated with CDBG funds to be considered as benefiting LMI, the majority of the housing units in a structure must be occupied after rehabilitation by LMI persons at affordable rents.

(b) Direct Benefit in Public Facility Projects

A growing trend is for public facility project applications to propose using CDBG funds to pay directly for the cost of water or sewer hookups, water meter installation, or special improvement district assessment costs which otherwise would have been imposed on low or moderate income households. These, too, are considered direct benefit situations and are often very competitive applications.

 **Note:** It is also possible for public facilities projects to combine direct benefit activities with area-wide benefit activities. This can increase the proportion of CDBG funds that will benefit LMI households and thus make a project more competitive (higher scoring) for “Benefit to LMI.”

The Federal Housing and Community Development Act imposes special requirements on projects that will be financed, in part, by hookup charges or assessments on property, such as through a special improvement district. The proposed targeting procedures must be consistent with the requirements described in Chapter V, Section B – Special Requirements for Public Facilities Projects, within the CDBG Application Guidelines for Public Facilities projects.

Exhibit H, “Targeting CDBG LMI Benefits for Public Facility Projects” discusses techniques for increasing the overall benefit to low and moderate income persons by providing direct benefits to LMI families in public facility projects.

Exhibit I, “Sample CDBG Public Facilities Targeting Plan for Direct Benefit to LMI” includes an example of a targeting plan prepared by the City of Missoula for a sewer project.

2. Indirect (Area-wide) Benefit to LMI

"Area-wide" (or indirect) benefit to LMI occurs in project activities designed to serve needs in a geographic area that has a mix of income levels (i.e., a project which would benefit all the residents of the project area equally, regardless of income). Area-wide benefit involves activities that do not have income eligibility requirements, but instead serve an entire geographic area. In these cases, CDBG funding is combined with the funding from other sources to construct improvements to community public facilities that serve an entire project area or an entire community such as a water or wastewater system, fire protection equipment, or a community center. HUD regulations provide that applicants proposing to use CDBG funds for area-wide or indirect benefit activities must provide data to demonstrate that at least 51% of the persons who would benefit from CDBG assistance have low or moderate incomes (at least 51% of the families in the project area are LMI).

For projects proposing activities that would provide an area-wide benefit, the process of documenting benefit to low and moderate income can be more involved than for direct benefit situations. The actual project area boundaries must be clearly delineated, because they determine which households would be served and, therefore, affect the calculation of LMI benefit. For example, a water well project that supplements a town's existing water supply would benefit all of the town's residents that receive water service. In such a case, the community-wide percentage of LMI households would be the appropriate figure to quantify LMI benefit.

In reviewing proposed LMI benefit for a public facility project, MDOC will evaluate how CDBG financial participation in the project would actually benefit LMI residents. This is often dependent on how a conventional public facilities project would be financed. For example, using a CDBG grant to install new water lines in a particular neighborhood that is mostly LMI families, would not be considered to be principally benefiting LMI if the practical result would be that the town, as a whole, will incur a smaller loan for the project resulting in lower water rates for all system users community-wide. In such a case, the community's overall percentage of LMI would be used to score LMI benefit since all of the community's residents would share equally in the financial benefit from the CDBG assistance by getting lower user charges. However, a project that would use CDBG funds to pay the special improvement district (SID) assessments for installing sewer mains in a residential neighborhood would have a project area that encompasses only the specific homes served by the SID. An income survey of the households within the SID area would document the

number and percentage of LMI households affected.

Any activity proposed for an area-wide CDBG project must also be clearly designed to meet identified needs of families in the area. **Under HUD regulations, an activity that serves an area that is not primarily residential in character cannot qualify as an area benefit activity.** For example, street construction in a downtown business district would not qualify as an area benefit activity.

Area-wide or indirect benefit to low and moderate income persons can be documented in two ways:

(a) HUD Low and Moderate Income Data

HUD has calculated the percentages of "low and moderate income" persons for every county, city, and town in the State, using 2000 Census data. Those percentages are shown in **Exhibit C**. **If the HUD Low and Moderate Income Data lists the applicant's percentage of LMI as 51% or greater, this source can be cited by an applicant and would be considered acceptable documentation for CDBG eligibility.**

Exhibit C includes HUD LMI data for counties and municipalities. The DOC Census and Economic Information Center also has calculated this data for the complete hierarchy of U.S. Census divisions including:

- counties;
- places (incorporated municipalities and census designated places);
- tracts or block numbering areas; and
- block groups.

Local officials and staff may find it useful to review this more detailed LMI data and corresponding Census maps to help identify concentrations of LMI families that could be assisted with CDBG housing or public facility projects. For further information contact the Census and Economic Information Center in MDOC at (telephone) 841-2740, or website: <http://ceic.commerce.state.mt.us> or (e-mail) ceic@state.mt.us.

(b) Local Income Surveys

In the event that the HUD data indicates that less than 51% of persons in the community have low and moderate incomes or in cases such as proposed applications for water or sewer districts where census data is not available (or where census boundaries do not correspond to the proposed project area), the applicant would have to conduct an income survey of local residents in the project area to document that 51% or more persons in the community have low and moderate incomes.

Many communities have found that a thorough local income survey indicates a percentage of LMI persons from five to ten percent higher than HUD estimates show. A major reason for this is that the HUD figures are calculated from 2000 Census data which is actually based on 1999 income information. Some communities have experienced changes in their local economy that only a more current survey would reflect. In addition, nationally, Census data is based on a one in six survey sample. Most CDBG applicants survey a higher

proportion of local households and may, in fact, develop data that is more representative of local income levels, in addition to being more current.

By conducting a local income survey, a community is, in essence, saying that U.S. Census data no longer accurately reflect current economic conditions for local households. The burden of proof is on the applicant to demonstrate that its local survey has met the minimum requirements for a local income survey. CDBG staff will carefully review any local LMI survey results that vary more than 15 percent from the HUD LMI Data based on the previous Census to make sure that the survey methodology meets the MDOC minimum requirements for local income surveys.

MDOC cannot accept the results from a local income survey for ranking purposes unless the applicant has adequately described the survey methodology used and adequately documented that the methodology meets the CDBG requirements, including:

- 1. the use of correct LMI income levels;**
- 2. the use of an acceptable survey format;**
- 3. meeting minimum sample size; and**
- 4. the survey sample was either truly random OR the total population was surveyed.**

(It is also important that the survey format make it possible to request verification at a later date, if required by HUD.)

Exhibit D, "Guidelines for Conducting Local Income Surveys," describes the requirements that apply when local governments conduct their own income surveys. The guidelines include suggestions to help applicants carry out more effective surveys.

Note: Once a community has conducted an LMI survey (since the 2000 Census data was released) in compliance with MDOC requirements, it will not need to complete another survey until new LMI data is available (from the year 2010 U.S. Census).

For area-wide public facilities projects, where an income survey is being conducted and where all the households in the CDBG project area will benefit equally, it is usually sufficient to have the household complete an income survey form such as that shown in **Exhibit E** which states that the person responding to the survey will provide evidence to verify that the income stated is correct, if requested. However, it is critical that the survey format make it possible to request verification at a later date, if required by HUD. This means that the survey should be coded numerically to be able to match a completed survey with the responding household.

The question arises when conducting income surveys as to who should be included in the survey. For CDBG purposes, the permanent, occupied households, as opposed to seasonal occupants in a community are the households that should be surveyed. If a question arises as to the status of a resident, the registered voting place should be considered the occupant's residence or where the resident resides the majority of the year.

 Note: Applicants considering CDBG public facilities projects that may be financed

with special assessments should carefully review Exhibit F, "CDBG Requirements Regarding Assessments and Hookup Charges." If the project will come under this federal requirement, the local government will have to use a special survey format to distinguish low income households from moderate income households (see Exhibit G).

All other area-wide projects should use the standard survey format for area-wide projects shown in Exhibit E.

Exhibit H, "Targeting CDBG LMI Benefits for Public Facility Projects" discusses techniques for increasing the benefits to low and moderate income persons in an area-wide CDBG project by providing direct benefits to LMI families.

3. Benefit to a Limited LMI Clientele

A "limited clientele" activity is an activity that benefits a specific group of people (rather than all the residents in a particular area), at least 51% of whom are LMI persons. To qualify under this category, the activity must meet one of the following tests:

(a.) Benefit a clientele who are generally presumed to be principally LMI persons.

The following groups are currently presumed by HUD to meet this criterion:

- *abused children;*
- *elderly persons;*
- *battered spouses;*
- *homeless persons;*
- *handicapped persons;*
- *illiterate persons; and*
- *migrant farm workers; or*

(b.) Require information on family size and income so that it is evident that at least 51% of the clientele are persons whose family income does not exceed the LMI limit; or

(c.) Have income eligibility requirements which limit the activity exclusively to LMI persons; or


(d.) Be of such nature and location that it may be reasonably concluded that the activity's clientele will primarily be LMI persons.

Limited clientele activities also include special projects directed to the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately owned nonresidential buildings, improvements, and the common areas of residential structures containing more than one dwelling unit.

For the purposes of Montana's CDBG program, limited clientele activities are presumed to provide 51% benefit to low and moderate income persons.

For example, the LMI requirement can be met by using CDBG funds to assist a facility that will primarily serve a LMI clientele, such as a Head Start Center or a senior citizens center:

- Head Start centers are presumed to provide 90% benefit to LMI because the program's federal requirements mandate that at least 90% of the children served come from lower income families.
- Senior centers are presumed to principally benefit LMI persons and are automatically assigned 51% benefit to ranking purposes. If an applicant wants to claim a higher percentage of benefit for improvements to an existing senior center, the applicant must conduct an income survey of persons served by the senior center that meets the MDOC minimum requirements for CDBG income surveys.

 Because the proportion of CDBG funds that will benefit LMI persons is used in the scoring of applications, it may be to a CDBG applicant's advantage to survey the incomes of the persons to be served by a limited clientele project in order to document a higher benefit to LMI. For example, Custer County did a survey of the clientele of the Eastern Montana Mental Health Center and determined that 91% of the people the center served were LMI. Likewise, Carbon County did a survey of the Red Lodge Senior Citizens Club and determined that 92% of the seniors that it served were LMI. Without surveys to document the actual incomes of these "limited clienteles," both projects would have been scored at only 51% benefit to LMI.

Activities that serve an entire geographic area cannot qualify under the limited clientele criterion. For example, HUD does not consider jails to be a limited clientele activity. Projects to improve or construct jails or correctional facilities are considered a community-wide benefit and must be justified on the basis of the percentage of LMI persons in the entire jurisdiction being served by the facility. In addition, the following kinds of activities cannot qualify under the "limited clientele" category:

- activities where the benefits are available to all the residents of an area;
- activities involving the acquisition, construction, or rehabilitation of property for housing; or
- activities where the benefit to LMI persons is the creation or retention of jobs.

C. CALCULATE LOW AND MODERATE INCOME (LMI) BENEFIT FOR EACH PROJECT ACTIVITY

Compliance with the benefit to LMI requirement is calculated on an activity-by-activity basis.

The percentage of benefit to LMI is calculated as a percentage of the total number of households that will benefit from each activity included in the CDBG project, as in the following example:

<u>Activities</u>	<u>LMI Households Benefiting</u>	<u>Total Households Benefiting</u>	<u>Percent of Benefit to LMI Households</u>
Housing Rehabilitation	20	20	= 100%

Neighborhood Sewer Improvements	20	35	= 57%
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In the example provided above, the applicant proposes to assist only LMI families with housing rehabilitation activities. Therefore, this activity is considered a direct benefit activity. The applicant is claiming 100% benefit (20 divided by 20) because it can assure that only LMI households will benefit.

In contrast, the neighborhood sewer improvements will be made throughout the entire project area in which 20 (57%) of the total of 35 families are LMI. This is an area-wide or indirect benefit. The percentage of LMI benefit claimed is equal to the percentage of LMI households in the project area, 57% (20 divided by 35).

D. DETERMINE PERCENTAGE OF NON-ADMINISTRATIVE CDBG FUNDS TO BENEFIT LOW AND MODERATE INCOME (LMI)

Overall benefit to LMI is calculated by converting the percentage of LMI benefit to dollar values for each project activity, as in the following example:

<u>Activities</u>	<u>Non-admin. Amount Requested</u>		<u>% of Benefit to LMI Households</u>		<u>Funds Benefiting LMI Households</u>
Housing Rehabilitation	\$400,000	x	100%	=	\$400,000
Neighborhood Sewer Improvements	<u>100,000</u>	x	57%	=	<u>57,000</u>
Total	\$400,000			=	\$457,000

In order to determine the overall benefit to LMI, the percentage of LMI benefit for each project activity is used as a multiplier times the line item budget for the activity. In the example provided above, the applicant is claiming 100% benefit for housing rehabilitation activities because it can assure that only LMI households will benefit. Therefore, 100% of the funds budgeted for these activities is shown in the right column (\$400,000 X 100% = \$400,000). In contrast, as demonstrated in the previous example (Part C), 57% of the neighborhood sewer improvements are considered as benefiting LMI because 20 of 35 families in the project area are LMI. In this case, the amount of CDBG benefiting LMI is equal to 57% of the sewer improvement budget of \$100,000 or \$57,000 (\$100,000 X .57 = \$57,000).

To determine the overall percentage of LMI benefit, the following calculation is made:

$\frac{\$457,000 \text{ (total dollars benefiting low and moderate income)}}{\$500,000 \text{ (total grant request, excluding administration)}} = 91\%$

A SPECIAL CASE - CALCULATING LMI BENEFIT FOR A MIXED USE BUILDING:

If an applicant proposes to build a mixed-use building that will involve uses that will principally benefit LMI as well as uses that will not, and use CDBG funds to construct a portion of the building for an LMI service, such as a Head Start Center, then the applicant must calculate and prorate the amount of square footage which will provide LMI benefit in the building.

EXAMPLE: A mixed-use community center building. The community center would house a Head Start center, public library, and senior center. In order to determine the amount of benefit to LMI persons when parts of the building would be used by non-LMI persons, it would be necessary to calculate the LMI portions of the building to determine LMI benefit.

For this example, we applied the square footage approach to calculating benefit that resulted in an approximate 70% benefit to low and moderate income.

Amount of CDBG funds requested was \$460,000.

The Head Start area of the building equaled 14% of the total building square footage. This would be calculated as $14\% \times \$460,000$ (the total amount of the requested CDBG activity dollars) = \$64,400. All of this amount calculates as 90% benefit to LMI because Head Start is considered a limited clientele benefit (it must assist at least 90%) eligible low income children). Therefore, the \$64,400 is 90% benefit; all of this amount benefits LMI.

The Senior Citizens area equaled 1,635 s.f., which was 15% of the total building square footage. $15\% \times \$460,000$ (the total amount of the CDBG activity dollars) = \$69,000. Of this amount, 66% calculates as benefit to LMI based on the claimed income survey response. Therefore, $66\% \times \$69,000$ is \$45,540; this amount is considered to benefit LMI.

The balance of the activity budget ($\$460,000 - \$64,400 - \$45,540 = \$350,060$) would be calculated as community-wide benefit because this space would be used for activities that benefit the entire community population. This calculates as $\$350,060 \times .61$ (based on a local community-wide LMI survey) = \$213,536 for benefit to LMI.


The sum of the three figures, $\$64,400 + \$45,540 + \$213,536 = \$323,476$ (the prorated amount which will benefit LMI).

$\$323,476$ divided by $\$460,000 = 70\%$ (benefit to LMI households)




Exhibit K of this guideline contains the MDOC form to be used by applicants for calculating overall LMI benefit. The form uses the same procedures described above to

establish the estimated percentage of LMI benefit for the proposed CDBG project.

 **Exhibit H** "Targeting CDBG LMI Benefits for Public Facility Projects" discusses techniques for increasing the overall benefit to low and moderate income persons in an area wide public facility project by also providing direct benefits to LMI families. Exhibit H also includes a completed example of Exhibit K that illustrates how the LMI Benefit form should be completed.

E. RETAIN RECORDS WHICH DOCUMENT BENEFIT TO LOW AND MODERATE INCOME HOUSEHOLDS

If your community's application for CDBG funding is awarded a grant, you will be required to provide documentation to support the claimed benefit to low and moderate income families that was stated in your CDBG application. All original survey documentation must be retained by the applicant and must be available for review and verification. MDOC will monitor your project records and review your documentation regarding benefit to low and moderate income families. If the documentation is determined to be inadequate or fails to meet MDOC requirements, the community could be required to reimburse any CDBG funds spent on a project activity. In worst-case situations, the lack of adequate documentation to substantiate compliance with the LMI benefit requirement is considered sufficient grounds for the Department to withdraw a grant award or require reimbursement of CDBG funds.

 **The general concept that is applied in documenting low or moderate income benefit is that the greater the total financial benefit that will be provided to a family or person, the greater the responsibility to carefully document the family's or person's income claim.**

1. Direct Benefit

For all direct benefit situations, CDBG recipients must document the eligibility of the persons or families that will receive CDBG benefits. For example, in housing rehabilitation projects, where a family may be receiving a \$20,000 grant or low interest loan, a frequently used approach is to require applicants for CDBG assistance to submit documentation to confirm gross annual household income, such as copies of the most recent Internal Revenue Service income tax forms. Likewise, in a public facility project that will provide substantial direct benefits, such as paying for special improvement district property assessments, the CDBG assistance may amount to several thousand dollars. In both cases, the individual families need to be informed that providing false or incomplete information is a serious matter and may constitute fraud under federal law. **Exhibit J** provides the approved format for verifying household incomes in these situations.

2. Indirect (Area-wide) Benefit

In contrast, for area-wide public facilities projects, where all the households in the CDBG project area will benefit equally and where LMI benefit is to be documented by a local income survey, it is sufficient to have the required number of households complete income survey forms such as that shown in **Exhibit E** which states that the person responding to

the survey will provide evidence of income, if requested. The person completing the form can simply initial and date the form to verify the source of the information. However, it is critical that the survey format make it possible to request verification at a later date, if required by HUD. This means that the survey should be coded numerically to be able to match a completed survey with the responding household. The closing certification can be less severe than that used in direct benefit situations. However, if individuals completing the survey refuse to sign or at least initial and date the survey form, it cannot be counted against the required number of survey responses.



A copy of the survey form used, with a composite summary of all responses and a description of the methodology used to assure an adequate sample size and a random selection of households surveyed, must be submitted as part of the CDBG application. EXHIBIT D, "GUIDELINES FOR CONDUCTING LOCAL INCOME SURVEYS FOR CDBG PROJECTS," outlines the minimum requirements for documenting LMI benefit through local surveys.

CONCLUSION

While these requirements may seem to be an intrusion into individual privacy, they are the only way to assure that CDBG assistance is being provided to the persons that Congress intended. These income verification techniques are the only means of responding to the congressional directive that the CDBG Program "give maximum feasible priority to activities which will benefit low and moderate income families..." and are the only way to demonstrate to HUD that local CDBG projects and your federal tax dollars are benefiting the low and moderate income persons that Congress intended the program to serve. Congress and HUD use these percentages in their continual evaluation of each State's performance in fulfilling the mandate that the CDBG program principally serve the needs of low and moderate income families.

On the following page is a checklist of the basic requirements for complying with the CDBG benefit to low and moderate income requirements.

REQUIREMENTS CHECKLIST FOR DOCUMENTING BENEFIT TO LMI

- _____ A. Applicants must describe how the proposed project will principally benefit LMI persons and comply with the CDBG LMI requirements outlined below.
- _____ B. Applicants must provide a completed copy of the "Benefit to LMI Form". (See Appendix K for the CDBG Benefit to LMI form and instructions.)
- _____ C. Documentation for benefit to low and moderate income persons must be consistent with the most recent edition of MDOC guidelines, Documenting Benefit to Low and Moderate Income Persons. Key requirements are as follows:
 - 1. For indirect (area wide) benefit situations:
 - (a) Document that area is principally residential,
 - (b) Verify LMI benefit with HUD LMI data, or
 - (c) Verify LMI benefit with local LMI survey and adequately describe methodology.
 - (1) Document that correct LMI income levels were used.
 - (2) Provide a copy of the survey with an acceptable format and a summary of results. (It is important that the survey format make it possible to request verification at a later date, if required by HUD.)
 - (3) Document that the minimum sample size requirement was met.
 - (4) Document that the sample was either random or included the total population.

*** Note: If an income survey is not properly documented or does not meet CDBG requirements, MDOC will use the HUD community LMI percentage based on Census data instead of the results claimed from a local income survey to score the application. Before conducting a local income survey, CDBG applicants should submit a draft of the survey form they intend to use to MDOC CDBG staff for their review to assure that the results of the survey will be acceptable for ranking purposes.**

- 2. In projects where direct financial assistance to LMI persons is proposed or for projects that would involve limited clientele benefit situations, describe how LMI status will be documented. Either:
 - (a) The clientele is presumed to be LMI under HUD regulations, or
 - (b) The applicant can confirm the LMI status of beneficiaries and limit benefits to only LMI persons.

EXHIBIT A

FEDERAL STANDARDS FOR DEFINITION OF LOW AND MODERATE INCOME STATUS

(Income eligibility standards from the U. S. Housing Act of 1937)

Section 889.103 Determination of income for eligibility.

For purposes of determining whether a family is a low-income family (= "moderate income") for CDBG purposes or a very low-income family (= "low income" for CDBG purposes), income shall be determined in accordance with Section 889.104, except that where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

Section 889.104 Computation of annual income.

(a) Except as provided in paragraph (b) of this section, all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:

- (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
- (2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
- (3) Interest and dividends;
- (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
- (5) Payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay (see paragraph (b) (3) of this section).
- (6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
 - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus

- (ii) The maximum amount that the public assistance agency could in fact allow for the family for shelter and utilities.
- (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
- (8) All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse (see paragraph (b) (5) of this section).

(b) The following items shall not be considered as income:

- (1) casual, sporadic or irregular gifts;
- (2) amounts that are specifically for or in reimbursement of the cost of medical expenses;
- (3) lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses;
- (4) amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes of which are available for subsistence are to be included in income;
- (5) the special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (6) Payments received pursuant to participation in the following volunteer programs under the ACTION Agency:
 - (i) National Volunteer Antipoverty Programs that include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (ii) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

EXHIBIT B

SAMPLE HUD INCOME LIMITS FOR DETERMINATION OF LOW OR MODERATE INCOME (LMI) STATUS

The Housing and Community Development Act of 1987 establishes the definition of "low and moderate income persons" which is used to determine the eligibility of families and local governments for CDBG assistance. The following table is a **sample** (the income levels should not be used in local surveys) of HUD income limits for determination of LMI status, including the income ceilings for both "low" and "moderate" income by family size for each Montana county. HUD updates the income tables annually. For most CDBG projects, applicants will only have to be concerned with the ceilings listed for "moderate" income.

The following table is an example only. Copies of the most current HUD LMI tables are available upon request from MDOC CDBG staff. If you have any questions regarding the use of these income limits for community surveys or in determining the eligibility of individual families, please contact MDOC CDBG staff at 841-2791.

The tables list HUD-determined income limits for each Montana county, according to family size. They are based on income guidelines used for HUD Section 8 Assisted Housing Program, which uses different terms than the CDBG Program to describe the same income levels. To assist communities, we have translated the Section 8 terms "very low" and "low" into the equivalent terms of "low" and "moderate" used in the CDBG Program. "Low" and "moderate" have been inserted on the sample HUD income table enclosed.

The income limits shown for Billings must be used for Yellowstone County; those shown for Great Falls must be used for Cascade County, and the limits shown for Missoula would be used for Missoula County.

Please see the CDBG Housing or Public Facilities Application Guidelines for the current year HUD LMI Limits printout. New, updated income limits are published by HUD usually during February of each year.

HUD LMI Limits

STATE: MONTANA		-----INCOME LIMITS BY COUNTY-----							
	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Billings, MT MSA FY 2004 MFI: 53600									
	LOW INCOME	18750	21450	24100	26800	28950	31100	33250	35400
	MOD INCOME	30000	34300	38600	42900	46300	49750	53150	56600
Great Falls, MT MSA FY 2004 MFI: 45300									
	LOW INCOME	16050	18350	20650	22950	24800	26600	28450	30300
	MOD INCOME	25700	29400	33050	36700	39650	42600	45550	48450
Missoula, MT MSA FY 2004 MFI: 52800									
	LOW INCOME	18500	21100	23750	26400	28500	30600	32750	34850
	MOD INCOME	29550	33800	38000	42250	45600	49000	52400	55750
Beaverhead County FY 2004 MFI: 44700									
	LOW INCOME	16050	18350	20650	22950	24800	26600	28450	30300
	MOD INCOME	25700	29400	33050	36700	39650	42600	45550	48450
Big Horn County FY 2004 MFI: 36900									
	LOW INCOME	16050	18350	20650	22950	24800	26600	28450	30300
	MOD INCOME	25700	29400	33050	36700	39650	42600	45550	48450
Blaine County FY 2004 MFI: 36800									
	LOW INCOME	16050	18350	20650	22950	24800	26600	28450	30300
	MOD INCOME	25700	29400	33050	36700	39650	42600	45550	48450
Broadwater County FY 2004 MFI: 41900									
	LOW INCOME	16050	18350	20650	22950	24800	26600	28450	30300
	MOD INCOME	25700	29400	33050	36700	39650	42600	45550	48450

EXHIBIT C

PERCENT OF LOW AND MODERATE INCOME (LMI) PERSONS FOR MONTANA COUNTIES , MUNICIPALITIES, AND CENSUS DESIGNATED PLACES

Calculated by the Montana Department of Commerce Census and Economic Information Center from
2000 Census data according to a HUD formula, February 2004.

County Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
Beaverhead	9,202	3,684	17.1	\$28,962	43.0
Big Horn	12,671	3,924	29.2	\$27,684	54.5
Blaine	7,009	2,501	28.1	\$25,247	53.7
Broadwater	4,385	1,752	10.8	\$32,689	37.9
Carbon	9,552	4,065	11.6	\$32,139	37.0
Carter	1,360	543	18.1	\$26,313	47.3
Cascade	80,357	32,547	13.5	\$32,971	38.7
Chouteau	5,970	2,226	20.5	\$29,150	46.8
Custer	11,696	4,768	15.1	\$30,000	42.9
Daniels	2,017	892	16.9	\$27,306	42.5
Dawson	9,059	3,625	14.9	\$31,393	39.4
Deer Lodge	9,417	3,995	15.8	\$26,305	44.3
Fallon	2,837	1,140	12.5	\$29,944	43.0
Fergus	11,893	4,860	15.4	\$30,409	39.8
Flathead	74,471	29,588	13.0	\$34,466	38.7
Gallatin	67,831	26,323	12.8	\$38,120	38.7
Garfield	1,279	532	21.5	\$25,917	49.9
Glacier	13,247	4,304	27.3	\$27,921	53.7
Golden Valley	1,042	365	25.8	\$27,308	48.5
Granite	2,830	1,200	16.8	\$27,813	43.4
Hill	16,673	6,457	18.4	\$30,781	42.1
Jefferson	10,049	3,747	9.0	\$41,506	37.8
Judith Basin	2,329	951	21.1	\$29,241	44.0
Lake	26,507	10,192	18.7	\$28,740	47.7
Lewis and Clark	55,716	22,850	10.9	\$37,360	39.5
Liberty	2,158	833	20.3	\$30,284	43.4
Lincoln	18,837	7,764	19.2	\$26,754	47.7

County Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
McCone	1,977	810	16.8	\$29,718	41.0
Madison	6,851	2,956	12.1	\$30,233	41.6
Musselshell	4,497	1,878	19.9	\$25,527	49.9
Park	15,694	6,828	11.4	\$31,739	39.3
Petroleum	493	211	23.2	\$24,107	49.3
Phillips	4,601	1,848	18.3	\$28,702	43.8
Pondera	6,424	2,410	18.8	\$30,464	45.7
Powder River	1,858	737	12.9	\$28,398	44.1
Powell	7,180	2,422	12.6	\$30,625	41.9
Prairie	1,199	537	17.2	\$25,451	48.7
Ravalli	36,070	14,289	13.8	\$31,992	39.1
Richland	9,667	3,878	12.2	\$32,110	39.2
Roosevelt	10,620	3,581	32.4	\$24,834	57.5
Rosebud	9,383	3,307	22.4	\$35,898	44.4
Sanders	10,227	4,273	17.2	\$26,852	48.9
Sheridan	4,105	1,741	14.7	\$29,518	43.3
Silver Bow	34,606	14,432	14.9	\$30,402	40.8
Stillwater	8,195	3,234	9.8	\$39,205	37.9
Sweet Grass	3,609	1,476	11.4	\$32,422	38.5
Teton	6,445	2,538	16.6	\$30,197	42.5
Toole	5,267	1,962	12.9	\$30,169	40.3
Treasure	861	357	14.7	\$29,830	41.5
Valley	7,675	3,150	13.5	\$30,979	39.1
Wheatland	2,259	853	20.4	\$24,492	50.0
Wibaux	1,068	421	15.3	\$28,224	43.8
Yellowstone	129,352	52,084	11.1	\$36,727	37.8

Place Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
Absarokee CDP	1,234	499	7.1	\$43,676	28.2
Agency CDP	324	79	23.9	\$22,308	52.2
Alberton town	374	152	19.6	\$26,000	56.0
Alder CDP	116	48	1.8	\$26,458	46.0
Amsterdam-Churchill CDP	727	255	11.7	\$40,139	37.2
Anaconda-Deer Lodge	9,417	3,995	15.8	\$26,305	44.3
Antelope CDP	43	21	22.4	\$16,500	71.4
Arlee CDP	602	235	34.1	\$21,188	65.9
Ashland CDP	464	151	34.7	\$22,222	68.6
Augusta CDP	284	142	14.7	\$24,688	69.1
Avon CDP	124	48	41.2	\$25,208	60.5
Azure CDP	253	55	32.4	\$19,821	70.7
Bienville town	153	72	14.8	\$26,250	48.8
Baker city	1,695	694	10.7	\$30,893	40.3
Ballantine CDP	346	130	7.4	\$30,417	49.2
Basin CDP	255	113	32.6	\$22,500	65.6
Bearcreek town	83	38	12.6	\$32,917	31.0
Beaver Creek CDP	291	109	0.0	\$43,571	13.4
Belfry CDP	219	98	20.3	\$25,313	47.2
Belgrade city	5,728	2,132	11.4	\$37,392	43.6
Belt city	633	273	12.9	\$25,469	57.3
Big Arm CDP	131	56	8.0	\$29,000	46.4
Bigfork CDP	1,421	652	9.1	\$36,116	33.7
Big Sandy town	703	296	14.1	\$28,523	44.2
Big Sky CDP	1,221	573	6.2	\$39,688	29.3
Big Timber city	1,650	711	10.8	\$30,595	39.4
Billings city	89,847	37,525	12.0	\$35,147	N/A
Birney CDP	108	29	50.0	\$15,417	63.4
Black Eagle CDP	914	418	11.1	\$23,529	51.0
Boneau CDP	190	42	44.0	\$21,750	71.0
Bonner-West Riverside CDP	1,693	690	10.9	\$32,557	47.2
Boulder town	1,300	508	15.6	\$29,276	55.0
Box Elder CDP	794	183	51.2	\$19,728	75.4
Bozeman city	27,509	10,877	20.2	\$32,156	46.4
Bridger town	745	313	16.2	\$26,103	46.7
Broadus town	451	199	14.5	\$25,156	51.1
Broadview town	150	64	9.8	\$29,500	55.4
Brockton town	245	67	50.8	\$19,167	68.9

Place Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
Camp Three CDP	138	77	20.3	\$17,212	58.0
Cardwell CDP	40	19	9.7	\$21,250	100.0
Carter CDP	62	31	13.4	\$24,583	47.8
Cascade town	819	323	12.1	\$30,602	45.2
Charlo CDP	439	166	21.2	\$24,167	54.6
Chester town	871	384	13.5	\$27,578	42.3
Chinook city	1,386	657	17.3	\$25,461	46.6
Choteau city	1,781	807	17.6	\$25,708	46.2
Circle town	644	291	18.3	\$27,500	41.1
Clancy CDP	1,406	540	3.3	\$52,938	23.2
Clinton CDP	549	204	19.2	\$31,731	60.9
Clyde Park town	310	137	10.0	\$28,194	46.4
Colstrip city	2,346	825	7.0	\$55,650	20.8
Columbia Falls city	3,645	1,400	17.1	\$31,128	42.5
Columbus town	1,748	709	13.6	\$33,750	41.2
Conrad city	2,753	1,154	13.4	\$29,432	41.7
Cooke City-Silver Gate CDP	140	79	15.8	\$25,000	53.4
Coram CDP	337	134	19.0	\$22,000	59.9
Corvallis CDP	443	185	40.8	\$17,434	59.2
Crow Agency CDP	1,552	336	40.9	\$22,438	62.4
Culbertson town	716	295	11.3	\$30,000	41.2
Custer CDP	145	68	1.4	\$26,944	41.4
Cut Bank city	3,105	1,264	12.4	\$33,885	33.9
Darby town	710	279	24.0	\$25,221	60.1
Dayton CDP	95	48	0.0	\$33,125	28.3
De Borgia CDP	69	34	19.7	\$22,917	63.6
Deer Lodge city	3,421	1,442	10.9	\$29,859	43.0
Denton town	301	133	8.5	\$28,393	39.7
Dillon city	3,752	1,669	18.2	\$26,389	43.8
Dixon CDP	216	89	35.9	\$15,455	68.4
Dodson town	122	49	28.9	\$19,464	50.4
Drummond town	318	140	13.6	\$26,500	42.6
Dutton town	389	158	8.0	\$34,063	38.3
East Glacier Park Village CDP	396	148	14.1	\$37,417	34.1
East Helena town	1,642	694	8.6	\$31,071	51.8
East Missoula CDP	2,070	795	13.6	\$27,094	51.8
Ekalaka town	410	195	12.2	\$19,432	57.8
Elliston CDP	225	89	10.4	\$31,964	28.9
Elmo CDP	143	52	96.1	\$8,036	100.0

Place Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
Ennis town	840	367	11.9	\$30,735	41.8
Eureka town	1,017	431	22.9	\$27,120	50.2
Evato CDP	329	110	6.8	\$36,250	48.8
Evergreen CDP	6,215	2,414	14.2	\$29,451	48.4
Fairfield town	659	285	11.3	\$29,018	41.1
Fairview town	709	310	15.7	\$26,023	54.1
Fallon CDP	138	63	35.8	\$16,818	73.9
Finley Point CDP	493	213	8.4	\$30,987	36.0
Flaxville town	87	44	9.1	\$34,688	26.9
Florence CDP	901	323	17.3	\$39,286	24.6
Forsyth city	1,944	826	10.5	\$33,533	37.5
Fort Belknap Agency CDP	1,262	345	38.3	\$22,000	60.4
Fort Benton city	1,594	636	13.4	\$29,406	41.0
Fortine CDP	169	74	11.8	\$26,500	45.6
Fort Peck town	240	91	0.8	\$47,083	15.5
Fort Shaw CDP	274	101	9.3	\$36,250	33.6
Fort Smith CDP	122	51	50.0	\$24,250	65.1
Four Corners CDP	1,828	761	10.3	\$36,964	38.8
Fox Lake CDP	157	58	16.2	\$31,000	40.1
Frazer CDP	452	115	47.1	\$19,500	76.4
Frenchtown CDP	883	291	0.0	\$46,094	27.1
Froid town	195	97	7.6	\$24,583	43.7
Fromberg town	486	198	10.0	\$29,219	50.2
Gardiner CDP	851	435	8.2	\$30,125	35.0
Garrison CDP	112	50	36.4	\$33,250	39.3
Geraldine town	284	115	6.5	\$30,893	38.8
Gildford CDP	185	76	4.9	\$33,125	28.8
Glasgow city	3,253	1,395	9.0	\$30,491	36.6
Glendive city	4,729	1,983	14.8	\$30,943	37.3
Grass Range town	149	67	44.4	\$19,375	54.2
Great Falls city	56,690	23,834	14.5	\$32,436	N/A
Greycliff CDP	56	21	18.8	\$38,750	42.3
Hamilton city	3,705	1,772	17.8	\$22,013	52.8
Hardin city	3,384	1,295	23.9	\$28,018	49.3
Harlem city	848	332	23.0	\$27,794	48.8
Harlowton city	1,062	496	10.3	\$23,636	48.7
Harrison CDP	162	64	13.8	\$36,875	38.6
Havre city	9,621	4,015	17.5	\$29,944	40.7
Havre North CDP	973	422	23.3	\$20,888	63.2

Place Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
Hays CDP	702	188	50.4	\$17,000	74.4
Heart Butte CDP	698	164	44.7	\$20,885	72.8
Helena city	25,780	11,541	14.5	\$34,416	40.1
Helena Valley Northeast CDP	2,122	776	3.8	\$50,804	24.4
Helena Valley Northwest CDP	2,082	741	8.2	\$45,385	32.4
Helena Valley Southeast CDP	7,141	2,495	7.4	\$38,147	43.2
Helena Valley West Central CDP	6,983	2,555	6.4	\$43,881	36.4
Helena West Side CDP	1,711	725	10.0	\$35,655	43.6
Heron CDP	149	58	18.2	\$28,750	45.5
Herron CDP	100	43	0.0	\$37,727	48.5
Highwood CDP	189	66	8.8	\$44,375	32.2
Hingham town	157	65	10.8	\$38,333	32.4
Hobson city	244	108	20.7	\$30,179	45.5
Hot Springs town	531	280	38.2	\$12,663	77.9
Hungry Horse CDP	934	346	29.7	\$26,550	59.0
Huntley CDP	411	160	11.5	\$36,125	46.1
Hysham town	330	150	13.4	\$30,179	33.0
Inverness CDP	103	40	23.5	\$28,750	49.0
Ismay town	26	7	0.0	\$32,083	39.1
Jefferson City CDP	295	110	1.4	\$53,125	27.2
Jette CDP	267	103	0.0	\$43,889	31.5
Joliet town	575	258	14.2	\$24,167	43.2
Joplin CDP	210	91	4.4	\$38,281	27.7
Jordan town	364	169	19.2	\$26,250	44.8
Judith Gap city	164	69	37.3	\$16,979	80.3
Kalispell city	14,223	6,142	15.9	\$28,567	44.3
Kerr CDP	17	6	(X)	\$0	0.0
Kevin town	178	72	19.9	\$20,417	54.3
Kicking Horse CDP	80	27	41.8	\$28,906	45.6
Kings Point CDP	169	82	13.2	\$19,750	48.1
Klein CDP	188	69	11.6	\$39,792	34.2
Knife River CDP	297	125	15.8	\$29,792	45.3
Kremlin CDP	126	47	22.8	\$36,250	32.4
Lakeside CDP	1,679	705	17.3	\$36,048	39.0
Lame Deer CDP	2,018	526	50.4	\$19,828	72.1
Laurel city	6,255	2,529	10.8	\$32,679	48.0
Lavina town	209	85	20.4	\$24,643	56.0
Lewistown city	5,813	2,594	13.6	\$28,949	40.1
Lewistown Heights CDP	365	138	15.6	\$31,154	42.7

Place Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
Libby city	2,626	1,132	16.3	\$24,276	55.9
Lima town	242	109	26.8	\$20,313	60.7
Lincoln CDP	1,100	480	21.2	\$26,688	56.3
Livingston city	6,851	3,084	12.1	\$28,980	41.1
Lockwood CDP	4,306	1,599	9.4	\$34,768	45.2
Lodge Grass town	510	147	40.3	\$22,120	58.7
Lodge Pole CDP	214	59	40.9	\$21,607	67.1
Lolo CDP	3,388	1,218	4.7	\$43,846	30.5
Loma CDP	92	40	17.1	\$25,208	50.0
Lonepine CDP	137	54	6.3	\$26,250	46.8
Malmstrom AFB CDP	4,544	1,310	6.2	\$31,775	46.4
Malta city	2,120	907	13.1	\$31,212	35.7
Manhattan town	1,396	553	7.1	\$38,242	41.2
Martin City CDP	331	142	24.4	\$21,250	52.9
Medicine Lake town	269	120	7.2	\$28,750	39.2
Melstone town	136	56	5.8	\$31,250	39.6
Miles City city	8,487	3,528	14.7	\$29,847	41.8
Missoula city	57,053	24,141	19.7	\$30,366	N/A
Montana City CDP	2,094	697	4.0	\$66,027	16.4
Moore town	186	83	10.6	\$25,536	44.9
Muddy CDP	627	149	59.9	\$24,688	88.6
Musselshell CDP	60	28	23.5	\$23,750	66.2
Nashua town	325	166	4.3	\$26,827	42.6
Neihart town	91	44	21.7	\$21,458	60.2
Niarada CDP	50	18	0.0	\$29,583	52.4
North Browning CDP	2,200	600	35.7	\$24,399	63.0
Noxon CDP	230	104	14.7	\$30,583	36.6
Old Agency CDP	95	31	53.2	\$18,750	73.0
Opheim town	111	56	7.2	\$24,583	41.0
Orchard Homes CDP	5,199	2,034	6.7	\$40,240	38.1
Outlook town	82	35	0.0	\$35,000	39.1
Ovando CDP	71	33	21.1	\$26,250	44.7
Pablo CDP	1,814	622	28.1	\$26,771	60.7
Paradise CDP	184	83	15.7	\$18,750	69.9
Park City CDP	870	330	8.7	\$37,266	41.7
Parker School CDP	352	78	25.0	\$29,167	49.8
Philipsburg town	914	408	19.8	\$24,559	49.2
Pinesdale town	742	139	35.2	\$26,528	76.2
Plains town	1,126	472	20.3	\$26,331	48.9

Place Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
Plentywood city	2,061	857	16.3	\$30,037	43.5
Plevna town	138	63	8.3	\$27,917	43.8
Polson city	4,041	1,739	19.8	\$21,870	56.1
Poplar city	911	325	31.5	\$24,896	56.5
Power CDP	171	68	18.6	\$38,036	33.9
Pryor CDP	628	166	27.2	\$25,096	67.5
Radersburg CDP	70	39	15.7	\$26,786	42.9
Ravalli CDP	119	48	24.0	\$26,750	48.0
Red Lodge city	2,177	1,020	9.7	\$31,750	36.3
Reed Point CDP	185	79	12.0	\$26,500	66.5
Reserve CDP	37	18	33.3	\$33,750	42.4
Rexford town	151	70	24.6	\$22,604	65.7
Richey town	189	92	10.0	\$23,750	45.6
Riverbend CDP	442	179	9.5	\$27,813	45.3
Rocky Point CDP	107	45	20.0	\$41,364	17.0
Rollins CDP	183	83	7.2	\$31,875	41.0
Ronan city	1,812	699	24.8	\$22,422	55.8
Roundup city	1,931	833	20.3	\$23,144	55.8
Rudyard CDP	275	126	9.9	\$28,393	43.0
Ryegate town	268	113	20.2	\$26,250	46.9
Saco town	224	109	14.0	\$23,125	57.2
Saddle Butte CDP	138	43	0.0	\$62,857	0.0
St. Ignatius town	788	307	19.5	\$25,682	51.4
St. Marie CDP	183	92	2.3	\$33,750	26.6
St. Pierre CDP	289	76	28.9	\$40,750	55.6
St. Regis CDP	315	135	21.0	\$23,750	60.2
St. Xavier CDP	67	20	40.7	\$19,722	52.0
Sangrey CDP	263	69	57.3	\$20,089	80.1
Scobey city	1,082	499	13.4	\$26,806	42.6
Seeley Lake CDP	1,436	589	10.6	\$35,101	40.9
Shelby city	3,216	1,196	8.6	\$29,219	39.2
Shepherd CDP	193	71	28.2	\$31,250	42.4
Sheridan town	659	302	25.1	\$21,118	60.4
Sidney city	4,774	2,006	12.7	\$32,109	38.5
Simms CDP	373	148	25.4	\$28,333	53.4
Somers CDP	556	233	7.6	\$30,625	45.2
South Browning CDP	1,677	475	49.2	\$12,130	76.3
Stanford town	454	210	13.8	\$22,679	48.5
Starr School CDP	248	61	20.2	\$24,531	64.2

Place Name	Total Population 100% Data	Total Households 100% Data	Poverty Rate of Individuals Sample Data	Median Household Income Sample Data	Low and Moderate Income Percent
Stevensville town	1,553	652	12.8	\$27,951	48.2
Sunburst town	415	158	4.1	\$38,250	25.1
Sun Prairie CDP	1,772	626	13.9	\$42,353	35.4
Sun River CDP	131	58	10.2	\$25,357	55.1
Superior town	893	358	17.0	\$25,333	49.8
Terry town	611	294	8.4	\$25,294	46.3
Thompson Falls city	1,321	549	16.1	\$28,103	54.2
Three Forks city	1,728	686	7.7	\$34,212	48.1
Toston CDP	105	44	42.2	\$21,250	70.6
Townsend city	1,867	786	13.2	\$26,820	47.9
Trout Creek CDP	261	109	21.1	\$26,458	50.2
Troy city	957	425	27.5	\$19,635	61.9
Turtle Lake CDP	194	55	54.8	\$36,250	60.3
Twin Bridges town	400	175	8.5	\$25,833	51.1
Ulm CDP	750	254	17.8	\$40,795	34.3
Valier town	498	220	8.4	\$30,000	45.4
Vaughn CDP	701	264	9.8	\$31,250	41.4
Victor CDP	859	351	7.7	\$38,618	32.6
Virginia City town	130	72	5.7	\$30,000	30.5
Walkerville town	714	297	12.1	\$28,009	53.8
Westby town	172	88	9.4	\$32,875	33.5
West Glendive CDP	1,833	725	14.3	\$33,487	38.1
West Havre CDP	284	100	2.0	\$56,375	6.9
West Yellowstone town	1,177	518	12.9	\$30,703	49.8
Whitefish city	5,032	2,229	18.2	\$33,038	39.7
Whitehall town	1,044	450	12.0	\$29,940	47.6
White Sulphur Springs city	984	443	13.3	\$28,229	43.2
Wibaux town	567	239	10.2	\$26,518	42.1
Willow Creek CDP	209	81	14.0	\$32,386	56.5
Wilsall CDP	237	102	17.9	\$29,643	45.0
Winifred town	156	69	23.9	\$25,000	41.3
Winnett town	185	87	22.8	\$17,361	59.8
Winston CDP	73	27	0.0	\$14,500	34.3
Wisdom CDP	114	61	12.9	\$24,583	46.6
Wolf Point city	2,663	981	17.9	\$27,962	48.2
Woods Bay CDP	748	325	19.1	\$31,000	43.6
Worden CDP	506	223	8.5	\$22,625	56.6
Wye CDP	381	123	11.0	\$53,500	31.4
Wyola CDP	186	52	48.0	\$20,536	77.2

EXHIBIT D

GUIDELINES FOR CONDUCTING LOCAL INCOME SURVEYS FOR CDBG PROJECTS

This exhibit describes the requirements that apply when local governments conduct their own income surveys. It also includes suggestions to help applicants carry out more effective surveys.

MDOC strongly encourages local officials to send a draft of their proposed income survey form to MDOC CDBG staff prior to conducting the survey to make sure that the format and income figures to be used are correct and will meet CDBG requirements.

Applicants must document that the survey methodology used to determine the community's LMI percentage was completed in accordance with the requirements below:

- 1. use of correct LMI income levels**
- 2. use of an acceptable survey format**
- 3. meeting minimum sample size, and**
- 4. survey sample was either truly random OR the total population was surveyed.**

(It is also important that the survey format allow verification of a household's income at a later date, if required by HUD.)

If this process is not properly documented, MDOC will use the HUD community LMI percentage based on Census data instead of the results claimed from a local income survey that fails to meet MDOC requirements.

INTRODUCTION

Federal regulations provide that applicants proposing to use CDBG funds for area-wide or indirect benefit activities must provide data to demonstrate that at least 51% of the persons who would benefit from CDBG assistance have low or moderate incomes. **In the CDBG program, the general concept that is applied in documenting a household's income is that the greater the total financial benefit that will be provided to the household, the greater the need to document the accuracy of the household's income claim.** For example, in housing rehabilitation projects, where a family may be receiving a \$20,000 grant or low interest loan, a frequently used approach is to ask applicants for CDBG assistance to submit documentation to confirm gross annual household income, such as copies of the most recent Internal Revenue Service income tax forms. While these requirements may seem to be an intrusion into individual privacy, they are the only way to assure that CDBG assistance is being provided to the persons that Congress intended. In contrast, for area-wide public facilities projects, where all the households in the CDBG project will benefit equally, it is usually sufficient to have the household complete an income survey form which states that the person responding to the survey will provide verification of income, if requested. However, it is important that the survey format make it possible to request verification at a later date, if required by HUD.

Full-time Residents vs. Seasonal?

A question that sometimes arises regarding local income surveys is "Should we include only permanent residents of the community or should seasonal residents be included, too?" Some Montana communities have an influx of summer residents and workers and sometimes ask if these should be included, in addition to permanent residents. MDOC advises local officials to focus on surveying permanent local residents to assure comparability with U.S. Census data. For example, the second question on the 2000 U.S. Census form asks: "Do you live here or stay here MOST OF THE TIME?" (The capitalization is on the Census form.) If there is any question about whether a person should be considered a permanent resident, the Montana Department of Revenue advises that the address the person claims for income tax purposes, federal or state, should determine the location of their permanent residence.

A. SAMPLE SIZE

The burden of proof that HUD LMI data inaccurately reflects current conditions is on any community conducting a local income survey. In order to document that local surveys have been conducted with a sound methodology, MDOC uses a formula that sets a minimum sample size for the survey, according to the population of the project area. Most communities choose to survey all local residents through mailed surveys; in these cases, the sample size requirement is usually easiest to meet. In other cases, such as a senior center or a hospital, the population to be surveyed may be the clientele actually served by the facility rather than a geographic area. A hospital might send income surveys to all those persons served during a calendar or fiscal year to determine the income levels of its clientele. A senior center could send surveys to all of those persons who are members or who have registered to receive services from the center, such as Meals on Wheels.

A "sample" is the portion of the total population that is to be surveyed. The total population may be a neighborhood, a county water and sewer district, or a town or county that is served by a public facility. The total population from which the sample is taken will be the area that is served by the CDBG-funded project. If a community has, for example, 1,000 households, it could be time consuming and expensive to interview every single household, especially if done on a door-to-door basis. In these cases, it may be more efficient to survey only a portion of the households and use that portion to represent a cross section of the entire community. This portion is the "sample".

To be reasonably certain that the sample is a statistically valid representation of the entire population, it must include a minimum number of households, which varies according to the size of the total population. To continue the example above, if the community surveyed only 50 out of the 1,000 households, there would be a good chance that many of those 50 are not representative of the entire community. This might be especially true if all 50 were selected from a specific neighborhood, instead of randomly throughout the community.

There are many complex formulas for determining how large a sample you must have in order to be reasonably confident that the sample accurately reflects your population. The formula used by the Department of Commerce is relatively simple and has been accepted by HUD since 1979 for local CDBG income surveys.

$$\text{Sample size} = \frac{.25}{.000625 + \frac{.25}{\text{population size}}}$$

For the purposes of most local surveys, the population size is the number of households in your community, not the number of individuals, since doing a local survey on the basis of households, rather than individual persons, will be easier to accomplish. For example, if your community has 1,000 households, as in the example above, your sample size would be calculated as follows:

$$\frac{.25}{.000625 + \frac{.25}{1000}} = \frac{.25}{.000625 + .000250} = \frac{.25}{.000875} = 286 \quad \text{(Required Minimum Sample Size)}$$

The table at the end of this exhibit lists various populations and the sample sizes needed in order to validate a survey. It should be noted that the minimum sample size means the number of actual responses received and properly completed in a survey, not just the number of households contacted. There will always be some households that do not choose to respond, and that being the case, the community should be prepared to make additional efforts, such as a follow-up mailing or more door-to-door interviews, until it has an adequate number of responses. Another way to deal with non-response is to over sample. If you need 250 surveys returned for a statistically valid sample, try to interview or mail surveys to 300 households.

Communities conducting income surveys for a CDBG application must have adequate responses from at least the minimum number of households established by the formula for their population. This does not mean that you hope to get a return of surveys that approximates the sample size. The returned completed surveys must meet the minimum number required by the formula for the sample size to have a valid and acceptable income survey.

Note: In late 1997, at the request of the MDOC, HUD approved a change in the sample size requirement for local income surveys. The formula for survey sample size shown above requires a larger percentage of responses as total population decreases. The formula was a serious obstacle for very small communities trying to apply for CDBG funding. For example, using this formula, a community of 40 households would have to have a 90% response to be valid. This level of response proved to be almost impossible to achieve for some very small communities. Under the new standard, if the total number of households or population of individuals to be surveyed is 200 or less, the maximum percentage of households or persons that must respond in order to provide an acceptable, valid response is 67%.

B. RANDOM SELECTION OF HOUSEHOLDS TO BE SURVEYED

In addition to having a large enough sample, and minimum percentage of response the households to be surveyed must be chosen at random so that the results will not be biased. In other words, everyone who is included in the total population to be served by your project should have an equal chance of being included in the sample. Before you can take a random sample, you must first find a way to identify individual households in your project area. For mailed or telephone surveys, many communities have used voter registration rolls, telephone books, or motor vehicle registration records to provide a comprehensive list to begin. None of these lists is perfect, but all are generally available and usable.

To determine the interval you will sample, divide your sample size into your population size. If, for instance, you have 400 households and plan to sample 200 of them, you should take every other name or for a door-to-door survey, visit every other house. (You may want to roll a dice to decide at which name or house you will start, rather than simply starting with the first one.) Another method is to write down all the household addresses in your project area, mix them up in a hat, and draw the number of house addresses you will need to meet your sample size.

For door-to-door surveys, each unit in a multi-family structure, such as an apartment, should be counted as a separate address. Callback visits should be made to sample residences where no one was available for the initial interview. If the callback visit is also unsuccessful, the next address in sequence should be interviewed. Often if no one is home in the day, they may be in during the evening, so if the original visit was in the daytime, the callback should be scheduled for evening.

For the sake of simplicity and to help assure that they receive the minimum required number of responses, most small communities choose to distribute income surveys to every household in the community.

C. PUBLICITY

People are more likely to respond to an income survey if they know there is a good reason for the survey, particularly these days when people receive so many computer-generated telephone surveys and mailed questionnaires that are really requests for donations. If the community survey is well publicized, there will be a minimum of lost time in explanations and a more favorable response by the public. **Under no circumstances should an income survey be attempted without wide publicity first. This is absolutely critical.** Citizens are understandably hesitant to discuss personal income information unless the purpose and need for the information is clearly understood. A short cover letter with a mailed questionnaire will let people know why the information is important. You also need to assure citizens that their income information will be kept confidential and will only be used to apply for the grant. (Sample cover letters are included in the MDOC publication, The Community Needs Assessment Process, available from MDOC staff.)

Complete honesty with the public and cooperation with and from the media can make a difference between success and failure. Publicity can include radio announcements or call-in talk programs, newspaper articles, flyers in the monthly water bill, and posters in local grocery stores or the post office.

D. DISTRIBUTION AND COLLECTION OF THE QUESTIONNAIRE

The following are various ways to conduct the actual income survey:

1. Distribution of the questionnaire by mail, requesting mail return;
2. Distribution in public places or in the newspaper, requesting mail return;
3. Distribution door-to-door to be either returned by mail or picked up by someone; and
4. Direct door-to-door interviews by an individual surveyor.

In deciding how to administer the questionnaire, you should consider several factors: time, cost, available manpower, and desired rate of return. You might send interviewers out to visit each household and ask the questions at that time; you might use service groups (Boy or Girl Scouts, Kiwanis, senior citizens, etc.) to drop off and pick up the questionnaires, allowing respondents to answer them at their leisure; you could also conduct the survey by telephone or mail. Each survey technique has advantages and disadvantages.

Mailed Questionnaires

Experience has shown that survey forms sent through the mail generally have a low percentage of return. Better results are obtained with volunteers who personally distribute and collect the questionnaire. (One Montana community received a 55% return rate by utilizing local Boy Scouts; another had a 56% return by using a high school social studies class to distribute questionnaires and pick them up a week later.) If you plan to mail or drop off the questionnaire, you should add a cover letter (preferably from the community's chief elected official) explaining why the survey is being conducted and what the results will be used for.

It is also wise to provide a stamped, addressed envelope for return of the questionnaire to help assure the respondent that the information will be confidential. Mail surveys provide better assurance of confidentiality, particularly if you are requesting household income information. While guaranteeing confidentiality, make sure you have a way to follow-up to improve your response rate if you don't receive a sufficient number of responses to meet the required minimum sample size. The method used most often is to number each return envelope before you mail the survey and keep a list of matching addresses and numbers. That way you can send out a second mailing to those who did not respond or directly contact them to explain the importance of the survey. This will also provide a means for the MDOC or HUD to verify your survey by spot-checking a sample of the people who submitted forms. (That's why it's important that the survey format make it possible to request verification at a later date, if required by HUD.) Some communities have color-coded their survey forms to help them determine if particular neighborhoods have concentrations of low and moderate income families.

A weakness of mailed surveys is that survey forms are usually completed only by those who are most interested, or those who will take the time to read the questions and respond. In addition, if there is some uncertainty about the question's intent or the purpose of the survey (such as household income surveys), an individual may not respond. Some respondents may not understand written questions, even with careful instructions, and they may answer in a manner not consistent with the intent of the question.

People get surveys by mail so often nowadays that it's perfectly understandable if their inclination is to throw it away. The Town of Bridger, Montana, used a lottery to increase the response to their

local survey. Local officials placed numbered coupons for those who completed the mailed survey in a drawing. The grand prizewinner received \$200 in "Bridger Bucks," script that was redeemable for merchandise at local businesses. Local merchants also donated gift certificates for other winners to support the survey effort. The town received far more responses to their survey than the required minimum. Many other Montana communities have used this technique successfully since Bridger "pioneered" this approach.


Door-to-Door- Interviews

The most reliable and accurate method of conducting a survey is going door-to-door with trained interviewers. This is especially true for a community opinion survey. The survey team or individual asks each question on the survey form. When the survey process is approached this way, the two-way communication allows for clarification of questions, as well as assuring more complete coverage and response from the community. Every household selected for sampling can be surveyed, or at least returned to several times in an attempt to complete the survey. It is a more personal approach and is a way to convey the importance of getting household income information to each household.

A disadvantage of the personal interview is that it cannot provide the level of privacy assured by a mailed questionnaire. Some people may be hesitant to disclose income levels or similar personal information to someone they know. One compromise approach that has been used by some communities is to take a printed questionnaire door to door. The respondent can complete the questionnaire individually, place the questionnaire in a sealed envelope, and either return it to the interviewer immediately or by mail. Sometimes the community will place drop boxes to return the survey envelope at central locations in the community like the post office or grocery store. This approach has the advantage of offering greater privacy while, at the same time, the interviewer is available to explain the reason for and importance of the survey or to clarify any of the questions on the survey. If the person has misplaced the survey, the interviewer can provide a replacement form and wait for the person to complete it. Where questionnaires will be picked up immediately, they should be very brief, such as those asking only household income information.

A copy of the survey form used, with a composite summary of all responses and a description of the methodology used to assure an adequate sample size and a random selection of households surveyed, must be submitted with the application to CDBG.

If individuals completing the survey will not be asked to sign the survey form, the form must be coded in some way so that it would be possible to determine which household is represented by an individual form. It is very important that the survey form identify the person completing it or be coded so that the household income claimed could be verified at a later date. For this reason, the Department strongly encourages the use of written survey forms rather than telephone surveys. If a telephone survey is conducted, applicants must retain detailed logs of the persons contacted and their responses.

 Note: Once a community has conducted an LMI survey, following the 2000 Census, that complies with MDOC requirements, it will not need to complete another survey until new LMI data is available from the next decennial U.S. Census. All original income survey documentation must be retained by the applicant and must be available for review and verification if the application is selected for funding. The lack of adequate documentation to substantiate compliance with the LMI benefit requirement is considered sufficient grounds for the Department to withdraw a grant award.

**MINIMUM SAMPLE REQUIRED ACCORDING TO
THE NUMBER OF HOUSEHOLDS IN PROJECT AREA**

<u>Number of Households In Project Area</u>	<u>Minimum Number of Households in Sample</u>	<u>Percentage of Responses Required</u>
200 or less	200 or less	67%
250	154	62%
300	171	57%
350	187	53%
400	200	50%
450	212	47%
500	222	44%
600	240	40%
700	255	36%
800	267	33%
900	277	31%
1,000	286	29%
2,000	333	17%
3,000	353	12%
4,000	364	9%
5,000	370	7%
6,000	375	6%
7,000	378	5%

EXHIBIT E

MODEL HOUSEHOLD INCOME SURVEY FOR AREA-WIDE CDBG PROJECTS

(PROJECTS WHICH DO NOT NEED TO DISTINGUISH BETWEEN "MODERATE" AND "LOW" INCOME HOUSEHOLDS)

The following model survey format can be used by communities to prepare forms to document the eligibility of households that will receive "indirect or area-wide benefits" through a local CDBG project, such as for a community sewer or water system. For most area-wide CDBG projects, a survey questionnaire can be relatively brief. A community must simply determine whether the household's income is either above or below the appropriate "moderate" household income limit. These figures, according to household size, can be found in the HUD income tables distributed by the Montana Department of Commerce. The HUD CDBG tables include income figures for the upper limits of "moderate" income, according to household size, for each county in the State. The figures for "moderate" income for the county in which the project will be located should be placed under the appropriate spaces on the form for each household size.

Applicants considering public facilities projects should review **Exhibit F**, "CDBG REQUIREMENTS REGARDING ASSESSMENTS AND HOOKUP CHARGES," to determine if their project will be affected by a federal requirement relating to project financing before conducting a local income survey. The model income survey form below should be used for CDBG projects that will **not** be utilizing a financing mechanism, such as a special improvement district assessment, that will require distinguishing between "moderate" income households and "low" income households.

Note to Person Preparing or Using Form:

The definition of "annual income" shown in this exhibit is a summary of the detailed definition contained in **Exhibit A**. If there is any question regarding application of the definition to an individual household, always consult the detailed language of the federal statute in **Exhibit A**.


Before conducting a local income survey, CDBG applicants are strongly encouraged to submit a draft of the survey form they intend to use to MDOC CDBG staff for their review to assure that the results of the survey will be acceptable for ranking purposes.

MODEL HOUSEHOLD INCOME SURVEY FORMAT FOR AREA-WIDE CDBG PROJECTS

The information requested below is vital to (community's name) application to the Montana Department of Commerce for a Community Development Block Grant (CDBG). The CDBG Program is a federal program intended to assist "low and moderate income families". Your individual response will be kept confidential and will not be available to the general public; the individual statistics will be compiled and used in summary form for the grant application.

Included in the definition of "annual income" are **all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor.** Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts minus operating expenses received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
8. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse.

 Note: The following pages provide two alternatives for a survey format for area-wide CDBG projects. Whichever option is selected, it should be used in combination with the text shown above. Option B also distinguishes low income versus moderate income, using income limits for both categories (low and moderate) as explained in Exhibit B.

OPTION A: MODEL HOUSEHOLD INCOME SURVEY FORMAT FOR AREA-WIDE CDBG PROJECTS

* **Note to Person Preparing or Using this Form:** Actual moderate income levels from the current HUD income limits table for the appropriate county must be substituted for the hypothetical figures used in the example in this exhibit.

The table below lists incomes for various household (family) sizes. For the column that matches your household's size, was the combined gross income for all adult members of your household in 200_, ABOVE or BELOW the income listed?

Family Size	1	2	3	4	5	6	7	8
Family Income	\$20,500*	\$23,400	\$26,350	\$29,300	\$31,600	\$33,950	\$36,300	\$38,650

*Be sure to use the current HUD income figures for your community.

ABOVE _____
BELOW _____

(Place an "X" behind the word that applies.)

EXAMPLE: If there are three persons currently residing in your household and the total gross income of the two adults was \$25,000, you would put an "X" after BELOW in the space above.

I certify that, after reviewing the CDBG definition of "annual income", the statement above is correct and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Resident's Signature (or initial)

Address

Date

NOTE: Anyone who knowingly provides false or incomplete income information may be subject to penalties for fraud under federal law.

(Note: For proper documentation, the individual should either be asked to sign the form, or local officials can have the person initial the form and the preparer code it by number so that the information is capable of being verified at a later date.)

OPTION B: MODEL HOUSEHOLD INCOME SURVEY FORMAT FOR AREA-WIDE CDBG PROJECTS

Remember – This survey is not asking for you to write down your income, only indicate by a check in the box that represents the number of family members in your household and an additional check in the box that reflects the combined gross annual income for all adult members of your household

Please remember this information is confidential. It is very important, however, that the responses are accurate because the information helps determine the level of need for grant funds or other outside assistance.

- A. ☐ There is 1 person in my household and the total household income is:
- ☐ above \$23,650
 - ☐ below \$23,650
 - ☐ below \$14,750
- B. ☐ There are 2 people in my household and the total household income is:
- ☐ above \$27,000
 - ☐ below \$27,000
 - ☐ below \$16,900
- C. ☐ There are 3 people in my household and the total household income is:
- ☐ above \$30,400
 - ☐ below \$30,400
 - ☐ below \$19,000
- D. ☐ There are 4 people in my household and the total household income is:
- ☐ above \$33,750
 - ☐ below \$33,750
 - ☐ below \$21,100
- E. ☐ There are 5 people in my household and the total household income is:
- ☐ above \$36,450
 - ☐ below \$36,450
 - ☐ below \$22,800
- F. ☐ There are 6 people in my household and the total household income is:
- ☐ above \$39,150
 - ☐ below \$39,150
 - ☐ below \$24,500
- G. ☐ There are 7 people in my household and the total household income is:
- ☐ above \$41,850
 - ☐ below \$41,850
 - ☐ below \$26,150
- H. ☐ There are 8 people in my household and the total household income is:

- ☐ above \$44,550
- ☐ below \$44,550
- ☐ below \$27,850

I certify that, after reviewing the definition of annual income, the statement made on the back of this page is correct and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Please sign or initial, your response will not be considered valid for documenting without signature.

Resident's Signature (or initials)_____

Address _____

Date _____

NOTE: Anyone who knowingly provides false or incomplete income information may be subject to penalties for fraud under federal law.

(Note: For proper documentation, the individual should either be asked to sign the form, or local officials can have the person initial the form and the preparer code it by number so that the information is capable of being verified at a later date.)

EXHIBIT F

CDBG REQUIREMENTS REGARDING ASSESSMENTS AND HOOKUP CHARGES

The federal Housing and Community Development Act imposes special requirements on CDBG projects that will be financed, in part, by special assessments or hookup charges on property.

According to HUD regulations, "special assessments" include:

- a fee or charge levied or filed as a lien against a parcel of real estate as a direct result of benefit derived from the installation of a public improvement; or
- a one-time charge made as a condition of access to the public improvement.

This requirement would cover assessments on property through a special improvement district or hookup charges for a water or sewer system. **It does not apply to public facilities that will be financed through the issuance of revenue bonds.**

Properties to be assisted with CDBG funds for payment of assessments must be intended for occupancy by low or moderate income households the majority of the calendar year.

1. For Areas with 51% or Greater Low and Moderate Income Persons

If a community intends to finance its public facility project through the creation of a special improvement district (SID) and is requesting CDBG funds to financially participate in the project, the community would be required to use CDBG funds to pay the entire SID assessment for each low and moderate income household within the project area. If the community determines that the CDBG grant amount is not sufficient to allow it to pay assessments for all low and moderate income persons, it would certify that fact to MDOC, and in this event either:

- a. provide sufficient CDBG funds to pay all the assessments for low income households only, or
- b. use a portion of the CDBG funds to pay for all low income households, and distribute the balance of CDBG funds remaining among moderate income households by prorating the amount of CDBG assistance in proportion to the level of household income.

2. Payment of Assessments in Areas with Less Than 51% Low and Moderate Income Persons

The Federal Housing and Community Development Act authorizes the use of CDBG funds for payment of special assessments levied against properties **owned and occupied** by persons of low and moderate income in neighborhoods or communities where **less** than 51% of the residents are low and moderate income (LMI). This allows a local government to use CDBG funds to pay special assessments levied against properties owned and occupied by LMI persons even when less than 51% of the area residents are LMI. This provision provides a significant opportunity to provide direct benefit to low and moderate income families through public facilities projects which otherwise would not have been eligible.

However, a major limitation on this option is that in project areas with less than 51% low and moderate income households, CDBG funds can only be used to pay for assessments for

LMI individuals and not for other engineering or construction “activity” costs.

Questions and Answers on Special Assessments

1. Is the payment of special assessments an eligible CDBG activity?

Answer: Not directly. Payments of special assessments are only eligible because they are one way of financing a public improvement. Therefore, the public improvement itself must be an eligible activity.

2. Does the CDBG requirement pertaining to special assessments also apply to assessments levied against commercial or industrial properties?

Answer: No. The requirement applies only to special assessments against residential properties owned and occupied by LMI persons.

3. Does CDBG assistance in paying special assessments convert a public facilities project into one funded in part with CDBG funds, thus triggering all applicable federal requirements, such as Davis-Bacon wage rates?

Answer: Yes.


4. Are there any exceptions to the requirement that CDBG funds be used to pay assessments for LMI persons?

Answer: Yes. Grant recipients are not required to pay assessments for LMI persons who own, but do not occupy, the assessed property. Also, grant recipients are not required to pay assessments for moderate income owner/occupants if the grant recipient certifies that it lacks sufficient CDBG funds to pay the special assessments for all LMI persons.

EXHIBIT G

MODEL HOUSEHOLD INCOME SURVEY FORMAT FOR AREA-WIDE CDBG PUBLIC FACILITY PROJECTS WHICH WILL INVOLVE SPECIAL ASSESSMENTS

(FOR PROJECTS WHICH MUST DETERMINE WHICH HOUSEHOLDS ARE CONSIDERED "MODERATE" INCOME AND WHICH ARE "LOW" INCOME HOUSEHOLDS)

 Applicants considering public facilities projects should review **Exhibit F**, "CDBG REQUIREMENTS REGARDING ASSESSMENTS AND HOOKUP CHARGES" to determine if their project will be affected by a federal requirement relating to project financing. This model income survey format should be used for local surveys only if the project is utilizing a financing mechanism, such as a special improvement district assessment, that will require distinguishing between "moderate" income households and "low" income households.

Applicants for public facilities projects not affected by this requirement should use Exhibit E as the basis for their income surveys.



Note to Person Preparing or Using this Form:

The definition of "annual income" shown in this exhibit is a summary of the detailed definition contained in **Exhibit A**. If there is any question regarding application of the definition to an individual household, always consult the detailed language of the federal statute in **Exhibit A**.

The income levels shown below in Tables A and B are hypothetical examples only. The current HUD Section 8 income limits contain correct income figures for each county in the State for the upper limits of "moderate" and "low" income, according to household size. The model form must be adapted by incorporating the figures for "moderate income" (for the county in which the project will be located) in the spaces under Table A. The figures for "low income" for that county must be listed in Table B according to the household size. The terms "Moderate Income" and "Low Income" should be omitted from the actual form used for the survey to avoid offending the person completing the form.

Before conducting a local income survey, CDBG applicants should submit a draft of the survey form they intend to use to MDOC CDBG staff for their review to assure that the results of the survey will be acceptable for ranking purposes.

MODEL HOUSEHOLD INCOME SURVEY FORMAT FOR AREA-WIDE CDBG PUBLIC FACILITY PROJECTS WHICH WILL INVOLVE SPECIAL ASSESSMENTS

The information requested below is vital to _____
(governing agency's name) application to the Montana Department of Commerce for a Community Development Block Grant (CDBG). The CDBG Program is a federally-funded program intended to assist "low and moderate income families." Your individual response will be kept confidential and will not be available to the general public; the individual statistics will be compiled and used in summary form for the grant application.

Included in the federal definition of "annual income" are **all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor.** Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts minus operating expenses received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
8. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse.

Table A below lists an example of gross household incomes for various family sizes. For the column for your family's size, was the combined gross unadjusted income for 200_ for all adult members of your household, **ABOVE** or **BELOW** the income listed?

Table A (Moderate Income – omit term from form)

Family Size	1	2	3	4	5	6	7	8
Family Income	*\$20,500	\$23,400	\$26,350	\$29,300	\$31,600	\$33,950	\$36,300	\$38,650

*Be sure to use the current HUD income figures for your community.

ABOVE A ____
BELOW A ____

If your income was below the income for your household size in Table A, was your combined gross income for all adult members of the household for 200_, above or below the income listed for your household size in Table B?

Table B (Low Income – omit term from form)

Family Size	1	2	3	4	5	6	7	8
Family Income	*\$12,800	\$14,650	\$16,450	\$18,300	\$19,750	\$21,250	\$22,700	\$24,150

* Be sure to use the current HUD income figures for your community.

ABOVE B ____
BELOW B ____

***EXAMPLE:** If there are four persons currently residing in your household and the combined gross income of the adult members of the household was \$23,500, you would check "Below A" under Tables A, and "Above B" under Table B.*

I certify that, after reviewing the definition of "annual income" above, the above statement is correct and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

 Resident's Signature (or initial)

 Address

 Date

***NOTE:** Anyone who knowingly provides false or incomplete income information may be subject to penalties for fraud under federal law.*

(Note: For proper documentation, the individual should either be asked to sign the form, or local officials can have the person initial the form and the preparer code it by number so that the information is capable of being verified at a later date.)

EXHIBIT H

TARGETING LMI BENEFITS FOR CDBG PUBLIC FACILITY PROJECTS

A basic requirement of the Community Development Block Grant (CDBG) Program is that each applicant for a CDBG public facility project must demonstrate that at least 51 percent of the persons who would benefit from the project have "low or moderate incomes" (LMI). Applicants for CDBG public facility projects can also design their project to directly benefit or "target" assistance for LMI persons residing within the project area. Several CDBG public facility projects have consisted of exclusively providing CDBG assistance to LMI families based upon income qualifications. (In project areas that have less than 51% LMI households, this is the only type of CDBG public facility assistance that is eligible.)

It is also possible to combine direct benefit activities with area-wide benefit activities. This can increase the proportion of CDBG funds that will benefit LMI households and thus make a project more competitive (higher scoring) for the "Benefit to LMI" criterion. An example would be a water project serving a particular geographic area where the minimum LMI benefit has already been established on an area-wide basis (at least 51% of the project area households have incomes considered "low or moderate"). However, in addition, extra benefits can be provided directly to "targeted" LMI households, such as paying special assessments, water service hook up costs, or the costs of installing water meters.

"Targeting" CDBG assistance requires creation of administrative procedures for making potential LMI households aware of extra, "targeted" benefits and evaluating applications for assistance to determine income eligibility. In addition, local officials must execute contracts with benefited households and complete and inspect the contracted work.

By "targeting" CDBG assistance through public facility projects, applicants can claim an increased percentage of benefit in the calculation of LMI benefit for project activities which can then be indicated on the Benefit Low and Moderate Income (LMI) form to be included in the CDBG application, thereby increasing the number of points for this specific criterion in the competitive CDBG ranking process. In some cases, this relatively small difference in points can make the difference in whether an applicant will be competitive.

At first glance, the concept of "targeting" CDBG funds may seem like a paper exercise. However, in reality, it can be an effective means of responding to the congressional directive that the CDBG Program "give maximum feasible priority to activities which will benefit low and moderate income families...." The percentage of benefit to LMI figures calculated for each CDBG project and the aggregate figures that the Department of Commerce reports to HUD annually are the only way to document that local CDBG projects are actually benefiting the low and moderate income persons that Congress intended the program to serve.

Targeting can also make a public facility project more acceptable to local ratepayers by providing direct financial assistance to cover needed project elements that would otherwise place a serious financial burden on individual low and moderate income households. This is often a major concern for communities that high numbers of senior citizens living on fixed incomes.

Administrative Considerations

Implementation of a targeting plan will require additional administrative effort on the part of the applicant. In designing a targeting plan, applicants should ask whether the administrative time and effort necessary to carry out the targeting plan is consistent with the applicant's capacity and worthwhile relative to the level of benefits that would be obtained from the project. The anticipated benefits of targeting must be balanced against the additional administrative requirements necessary to carry out a targeting program. **The following outlines the basic steps for putting together a program for targeting CDBG benefits to low and moderate income persons.**

Targeting Steps

While the following six steps generally apply to all targeting efforts for public facility projects, there is no one single appropriate approach or procedure. Applicants should design their own targeting or "direct benefit" program according to specific local needs or concerns. If local officials have any questions regarding the "targeting" of CDBG benefits for low and moderate income households or persons, they should contact the MDOC CDBG staff.

1. **Prepare an overall targeting plan.** A targeting plan sets forth the basic steps describing how an applicant intends to proceed with a targeting effort. The targeting plan typically would address the following elements:
 - a. development of eligibility criteria, policies, and procedures for applications, including verification of household incomes;
 - b. administration of beneficiary contracts;
 - c. proposed procedures for inspection of work;
 - d. payment of assistance to benefited households;
 - e. policies for LMI rental households, if applicable.
2. **Determine LMI income guidelines** for the purposes of establishing eligibility thresholds or limits.
3. **Conduct a LMI survey or advertise and establish an application process** to determine which households are potentially eligible for CDBG assistance.
4. **Estimate the number of LMI households to be assisted** and determine estimated costs on a per household basis.
5. **Determine total budgetary needs** to implement the targeting effort.
6. **Proceed with implementation** of the targeting effort, after obtaining Department of Commerce approval of the proposed procedures.

Communities considering targeted approaches for CDBG public facility projects should contact the Department for further information. MDOC CDBG staff have prepared sample agreements for homeowners or landlords to sign in return for receiving the payment of special assessments or hook-up charges.

A sample CDBG public facilities targeting plan from the City of Missoula appears in Exhibit I.

SAMPLE CDBG BENEFIT TO LMI FORM

A	B	C	D	E	F
ACTIVITY DESCRIPTION (Do not include administrative activities)	# OF HOUSEHOLDS ACTIVITY WILL SERVE	# OF LMI HOUSEHOLDS ACTIVITY WILL SERVE	% OF LMI HOUSEHOLDS ACTIVITY WILL SERVE	AMOUNT OF CDBG FUNDS FOR ACTIVITY	AMOUNT OF CDBG FUNDS TO BENEFIT LMI
1. TREATMENT PLANT	376	203	54%	\$275,000	148,500
2. ENGINEERING	376	203	54%	\$50,000	29,700
3. DIRECT LMI ASSISTANCE	75	75	100%	93,250	93,250
4.					
5.					
6.					
7.					
8.					

TOTAL
\$418,250

TOTAL
\$271,450

OVERALL PERCENT BENEFIT TO LMI HOUSEHOLDS = $\frac{\text{Column F}}{\text{Column E}} = \frac{271,450}{418,240}$ or 64.9% Benefit to LMI

Targeting and Calculating LMI Benefit for Project Activities

A hypothetical example of targeting is shown on the completed Benefit to Low and Moderate Income Form on page H-4. The represents a public facilities project which combines activities that involve both area-wide benefit to LMI and a direct, targeted benefit to LMI.

- Line 1 shows water treatment plant improvements for a community with an LMI area-wide population which is 54% LMI, based upon a community income survey. The areawide LMI percentage, 54%, is used as a multiplier times the cost of the project activity, the treatment plant. **54% X \$275,000 = \$148,500 of the CDBG funds will benefit LMI.**
- Line 2 shows the project engineering line item for the overall project. The engineering services are associated with design and construction, both project-wide activities. Therefore, the 54% overall community LMI percentage is applied to this cost. **54% X \$55,000 = \$29,700 of the CDBG funds will benefit LMI.**
- On line 3, \$93750 is budgeted for direct financial assistance to LMI households. The town proposes to assist 75 low income households by paying directly for the replacement of lead water service lines and new water meters at an estimated cost of \$1,250 per household. All of the expenditures from this line item would benefit LMI. Therefore, the calculation is **100% X \$93,250 = \$93,250 of the CDBG funds will benefit LMI.**

The figures in column E, AMOUNT OF CDBG FUNDS FOR ACTIVITY, total \$418,250

The figures in column F, AMOUNT OF FUNDS TO BENEFIT LMI, total \$271,450

- The net result is that the city receives an overall percent benefit to low and moderate income households of 64.9%, (rounded to 64%, per HUD rules) based upon \$271,450 of CDBG funds benefiting LMI households (column F), divided by total project activity (non administrative) funds of \$418,250 (column E).

Under the "Benefit to Low and Moderate Income" ranking criterion, the city would receive 28 points, based upon 2 points for each documented percentage of benefit to LMI persons above 50% (64% minus 50% equals 14, times 2 equals 28 points). Without targeting, the community would have received only 8 points under a strictly area-wide approach (54% minus 50% equals 4, times 2 equals 8 points). In the typical CDBG public facility grant competition, scores can be very close. This relatively small difference between area-wide benefit to LMI versus a targeted approach can be enough to make an application successful. CDBG projects that commit larger percentages of their grant request to direct targeting of CDBG assistance to LMI households tend to be correspondingly more competitive against other applications which are proposing area-wide benefit to LMI only.

EXHIBIT I

Sample CDBG Public Facilities Targeting Plan for Direct Benefit to LMI

In 1993, the City of Missoula was awarded a CDBG Public Facilities grant to sewer the California Street area. This project provided assistance in the form of payment of SID assessments to low and moderate, owner-occupied and rental units. The original plan was for funds to also pay for hookup costs for low-income, owner-occupied households. Due to savings realized from the construction activity budget, not only was the project able to cover hookup costs for low-income, owner-occupied households but for moderate-income, owner-occupied households as well. Before proceeding with this additional activity, approval was obtained from Montana CDBG staff. The City's targeting plan for direct benefit to LMI is outlined below.

1. Targeting Mechanism

The SID assessment and hookup assistance will be provided only to those low-income, owner-occupied homeowners who qualify under CDBG guidelines. Federal law requires that CDBG projects pay 100% of the assessment and hookup costs for low income, owner-occupied houses.

- a. Upon award of CDBG funds, the process to create a SID for construction of a sewer system for the project area will be initiated. Each homeowner in the area will be notified by certified mail of the potential SID. A public hearing will be scheduled and comments heard. A protest of 75 percent of the owners can nullify the creation of a SID for sewer. In addition to notifying the citizens of the SID, the letter will also address the possibility of CDBG grant assistance. Eligibility requirements will be outlined and an application form for assistance included. If they are interested, the application will be filled out and returned to the City CDBG staff. The applicants will be asked to submit tax forms or other income verification documents before assistance is given. They will sign the form and return it to the City CDBG staff. Eligibility will be confirmed by the City CDBG staff using HUD income guidelines.
- b. The City of Missoula will bid the project as required by Montana law and by the CDBG Administration Manual. The construction bid will include the full-service hookup to the residence of those low-income, owner-occupied homes. All residents of the project area will be notified when construction is to begin.
- c. Inspection of completed work will be performed by a consulting engineer and the City Engineering staff.
- d. SID assessments for those who qualify will be paid directly by the City. Households will not be billed for SID assessment or, if they qualify, for hookup costs.

Those homeowners who do not qualify for assistance will be given the option to hookup to the City sewer at their own expense at the same time as the low-income households. They will be able to contract with independent, licensed contractors for this service at their expense.

The cost estimates area based on preliminary income data. Realizing that new income information will need to be gathered upon project start-up and that situations may have changed by then, (e.g., transfer of ownership, loss of job, change of tenant, etc.) the amount required to pay the SID assessment of the low-income, owner-occupied households is estimated to be \$3,400. Hookup costs are estimated at \$1,600. Estimates were provided to the public as a handout for the CDBG public hearing.

2. Income surveys received are on file with City CDBG staff. Surveys were sent to all property owners and residents of record in the project area. There are 796 properties in the project area incorporating approximately 454 residences. Valid surveys were returned from 323 residences. The data based on the income survey sent to each owner indicate that 80 of the households probably qualify for assistance.
3. Targeting assistance will be assured by simplifying the process. Upon completion of the project, the precise cost of the project will be determined and SID assessments will be billed. As described above, the SID assessment for those receiving CDBG assistance will be paid directly by the City. The homeowner will not receive a billing. A letter will be sent notifying the owner of the CDBG assistance received. Using this system, completion of targeting assistance within the term of the project is certain.

EXHIBIT J

INCOME CERTIFICATION FORMAT FOR DIRECT BENEFIT SITUATIONS



Note to Person Preparing or Using this Form:

(The definition of "annual income" in this exhibit is a summary of the detailed definition contained in Exhibit A. If there is any question regarding the application of the definition on this form to an individual household, always consult the detailed language of the federal statute in Exhibit A.)

The following format can be used by communities to prepare forms to document the eligibility of households that will receive "direct benefits" through a local CDBG project. HUD CDBG income limits contain income figures for the upper limits of moderate income, according to household size, for each county in the State. The figures for moderate income for the county in which the project will be located should be placed under the appropriate spaces on the form for each household size.

MODEL FORMAT

The following information is necessary for you to be eligible for assistance under our community's Community Development Block Grant (CDBG) project. The CDBG Program is a federal program intended to assist "low and moderate income families". Your response will be kept confidential and will not be available to the general public.

Included in the federal definition of "annual income" are **all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor.** Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts, minus operating expenses, received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and

8. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse.



Documenting Annual Income for Direct Benefit Situations

For all direct benefit situations, CDBG recipients must document the eligibility of the persons or families that will receive CDBG benefits. The general concept that is applied in documenting low and moderate income benefit is that the greater the total financial benefit that will be provided to a family, the greater the responsibility to verify the accuracy of the family's income claim.

For example, in housing rehabilitation projects, where a family may be receiving a \$20,000 grant or low interest loan, a frequently used approach is to require applicants for CDBG assistance to submit documentation to confirm gross annual household income such as copies of the most recent Internal Revenue Service income tax forms for family members. Likewise, in a public facility project that will provide substantial direct benefits, such as paying for special improvement district property assessments, the CDBG assistance may amount to several thousand dollars.

In both cases, the individual families should be informed that providing false information is a serious matter and may constitute fraud under federal law.

INCOME CERTIFICATION FORMAT FOR DIRECT BENEFIT SITUATIONS

*** Note to Person Preparing or Using Form:** Actual moderate income levels from the current HUD income limits table for the appropriate county must be substituted for the hypothetical figures used in the example in this exhibit.

The table below lists incomes for various household (family) sizes. For the column that matches your household's size, was the combined gross income for all adult members of your household in 200_, ABOVE or BELOW the income listed?

Family Size	1	2	3	4	5	6	7	8
Family Income	\$20,500*	\$23,400	\$26,350	\$29,300	\$31,600	\$33,950	\$36,300	\$38,650

*Be sure to use the current HUD income figures for your community.

ABOVE ____
BELOW ____

(Place an "X" behind the word that applies.)

EXAMPLE: If there are three persons currently residing in your household and the total gross income of the two adults was \$25,000, you would put an "X" after BELOW in the space above.

I certify that, after reviewing the CDBG definition of "annual income", the statement above is correct and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Applicant's Signature (or initial)

Address

Date

NOTE: Anyone who knowingly provides false or incomplete income information may be subject to penalties for fraud under federal law.

EXHIBIT K

CDBG BENEFIT LOW AND MODERATE INCOME (LMI) FORM

The “CDBG BENEFIT LOW AND MODERATE INCOME (LMI) FORM” on the following page should be used by applicants to document compliance with the CDBG requirement for benefit to low and moderate income persons.

The calculation of benefit to low and moderate income households or persons is essentially a two-stage process:

- First, the percentage of benefit to low and moderate income households or persons must be determined for each non-administrative activity proposed in the CDBG project.
- Second, these percentages are applied to the CDBG funds requested for each line item activity to get the total number of dollars that will benefit low and moderate income households or persons.

STEPS FOR COMPLETING THE CDBG BENEFIT TO LMI FORM

Each step in completing the “CDBG BENEFIT LOW AND MODERATE INCOME (LMI) FORM” is described below. Applicants should use the form to describe the total CDBG dollar and percentage benefit that will result from their proposed projects. Either households or persons may be used, as the basis for calculation as long as the method selected is consistent with the method used to verify the household income levels.

1. In column A, describe the activity by name, such as "Housing Rehabilitation". Do not include administrative activities. The activities should be the same as shown on the application budget form under "ACTIVITY".
2. In column B, show the total number of households that the activity will serve.
3. In column C, show the number of low and moderate income households that the activity will serve.
4. In column D, show the percentage of low and moderate income households that the activity will serve. This is derived by dividing the number in column C by the number in column B for that activity.
5. In column E, show the total amount of CDBG funds requested for the activity. This should be the same as shown on the application budget form under "ACTIVITY".
6. In column F, show the amount of those funds that will be used to benefit low and moderate income households. This is derived by multiplying column E by the percentage in column D.
7. At the bottom of column E, show the total amount of non-administrative CDBG funds by adding up the CDBG funds requested for each activity.

8. At the bottom of column F, show the total amount of funds that will be used to benefit low and moderate income households by adding up the amount of funds to benefit low and moderate income households for each activity.
9. Determine overall benefit by dividing the total of column F by the total of column E to get the total CDBG project benefit to low and moderate income households. Include percentage at bottom of form.



If you have questions about the basic process of calculating LMI benefit or completing this form, please review the example at the end of EXHIBIT H.

See also the examples under part "C. CALCULATE LOW AND MODERATE INCOME (LMI) BENEFIT FOR EACH PROJECT ACTIVITY" and part "D. DETERMINE PERCENTAGE OF NON-ADMINISTRATIVE CDBG FUNDS TO BENEFIT LOW AND MODERATE INCOME (LMI)" in the CDBG handbook Documenting Benefit to Low and Moderate Income Persons.

If you still are unclear on how this is done, please contact the MDOC CDBG staff for assistance.

CDBG BENEFIT TO LMI FORM

A	B	C	D	E	F
ACTIVITY DESCRIPTION (Do not include administrative activities)	# OF HOUSEHOLDS ACTIVITY WILL SERVE	# OF LMI HOUSEHOLDS ACTIVITY WILL SERVE	% OF LMI HOUSEHOLDS ACTIVITY WILL SERVE	AMOUNT OF CDBG FUNDS FOR ACTIVITY	AMOUNT OF CDBG FUNDS TO BENEFIT LMI
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					

TOTAL \$

TOTAL \$

OVERALL PERCENT BENEFIT TO LMI HOUSEHOLDS = $\frac{\text{Column F}}{\text{Column E}}$ = _____ %

EXHIBIT L

DOCUMENTING BENEFIT TO LMI FOR THE CDBG ECONOMIC DEVELOPMENT PROGRAM

A. GRANTEE RESPONSIBILITIES

It is the responsibility of the grantee to document the proposed benefit to LMI at the time of application. In addition, the grantee must monitor this over the two-year contract period and document the actual benefit at the time of closeout.

In addition to all of the applicable compliance actions and procedural steps contained in the chapters discussed above, the grantee (and business, where appropriate) must follow the steps outlined in the following sections.

1. Document Benefit to Low and Moderate Income (LMI) Persons

All CDBG projects are required to meet the Congressional National Objective of benefiting low and moderate-income (LMI) families. LMI families are defined as those families whose income does not exceed 80% of the county median income for the previous year or 80% of the median income of the entire non-metropolitan area of the State of Montana, whichever is higher. Contact your CDBG liaison to get the HUD income tables that delineate 80% of county median income by family size.

For economic development activities to meet this National Objective, the applicant must demonstrate a benefit to LMI in one or more areas listed below. The activity must:

- ? be carried out in a neighborhood or community where 51% or greater number of LMI persons reside;
- ? employ persons, a majority of whom are LMI;
- ? make training available to LMI persons to help them qualify for higher skilled employment;
or
- ? engage in advertising and recruitment efforts targeted to LMI persons.

To document the benefit to LMI persons, determine which of the four activities listed above applies to the project. The grantee must determine the best method by which to substantiate this determination and provide appropriate documentation. Possible methods include:

- ? Identifying the specific neighborhood or community boundary and conducting an income survey of the project's intended beneficiaries
- ? Obtaining income certifications from individuals hired
- ? Documenting the type of training to be provided
- ? Documenting efforts to advertise and recruit LMI

Usually, LMI benefit is documented in one or more of the following ways:

Verification per LMI Job Created or Retained

Using the forms for the Calculation of Benefit to Low and Moderate Income Persons, found at the end of this exhibit, verify the number of positions currently held by LMI persons for an existing business, and project those full-time equivalent (FTE) LMI jobs to be created based on the company's hiring plan. For purposes of documentation, **“full time equivalent” means “40 hours per week.”** Fifty-one percent (51%) of all the positions to be created or retained must be filled by or made available to LMI persons. Aside from using the HUD income tables, a person may be presumed to be LMI under certain conditions. Contact your CDBG liaison for this information.

Area-wide Benefit (City or County-wide Benefit)

Fifty-one percent (51%) of all persons living within the city or county boundaries must be LMI. Area-wide benefit should be documented by current program year HUD income tables provided by your CDBG liaison. A fairly current income survey for the area may also be used if the documented methodology complies with MDOC survey requirements. (For additional information on area-wide benefit, and to determine whether your project would qualify as an area-wide benefit project, contact CDBG staff.)

Limited Clientele

Benefits must be provided exclusively to a **clearly** defined, specific clientele. If a population is targeted to be the beneficiary of a project, the project scope must demonstrate that the benefits to be provided to that population are **not** available to all residents and that the targeted population meets one of the criteria below:

- a. Benefit is specifically targeted to a group presumed to be 51% or more LMI, unless there is evidence to the contrary. The limited clientele definition can be applied only to those groups included under HUD regulations, which includes:
 - Abused Children
 - The Elderly
 - The Homeless
 - Migrant Farm Workers
 - Battered Spouses
 - The Handicapped
 - The Illiterate
- b. Information on family size and income shows that at least 51% of the clientele is LMI (e.g., programs being operated where LMI income certification is routinely requested to allow participation in the program)
- c. Benefits are limited to LMI (e.g., a nursing home whose occupancy is limited to LMI)
- d. The nature of activity and location supports conclusion that clientele is 51% or more LMI (e.g., a day care operated in an inner city neighborhood, a microenterprise as defined by HUD, or an organization that supports microenterprise development)
- e. Removal of architectural barriers that limit the mobility of elderly and handicapped

The grantee's project must be designed specifically to benefit LMI persons such as those groups previously identified.

Microenterprises

Projects that meet HUD's definition of a MicroBusiness Enterprise are automatically assumed to

provide a 51% benefit to low and moderate-income persons. MicroBusiness Enterprises do not have to meet the cost per LMI job requirement. A MicroBusiness, as defined by HUD, is a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise. A MicroBusiness Enterprise under HUD's definition automatically meets the 51% low-moderate income national objective if the income status of the assisted MicroBusiness Enterprise owner is of low to moderate-income. That person is presumed to continue to qualify as low to moderate-income for up to a three-year period after the CDBG assistance is provided. This allows business owners to continue receiving CDBG assistance even when they no longer qualify as an LMI household.

2. Document LMI Jobs Created or Retained

The primary goal of CDBG-funded economic development program activity is to increase job opportunities for local residents, particularly persons of low and moderate-income. The principal objective of the project is to create or retain jobs, 51% of which must be filled by or made available to low and moderate-income persons. A low and moderate-income person is defined as a member of a low and income moderate family. Both the size of the family and the total income of the entire family must be considered when determining whether an individual is a low and moderate-income person. The MDOC provides the HUD Section 8 household income tables required to make this determination. The low to moderate-income determination is made at the time of application for CDBG assistance and prior to the person being hired for the job, using the person's previous year's income, not after the low and moderate-income person is hired at that job's income level.

The family income is considered as of the time the jobs are filled or retained, not after the low and moderate-income person is hired. Jobs must be equally available to low and moderate-income persons. For new hires, income is determined for the year prior to the date the person is hired.

Grantees must ensure that methods are used to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate-income. When a grant is awarded, the applicant's commitment to the hiring plan is considered binding and will be incorporated in the grant agreement between the grantee and MDOC.

All jobs must be converted into full-time equivalent positions. A full-time equivalent employee is an individual who is employed for 40 hours a week on the average or a combination of individuals whose combined hours of employment equal 40 hours per week.

Permanent, year-round jobs are the priority of the program. Only permanent jobs may be counted. Temporary construction jobs and other temporary and some seasonal jobs may not be counted. Projects involving primarily seasonal jobs are not generally acceptable under federal CDBG requirements. In order to be counted, a seasonal job must be the primary occupation and the principal source of income to the low to moderate income person for the year. This situation is very difficult to document and is not encouraged for CDBG projects.

The base level of employment with a list of all current employees and job titles must be provided with the application for CDBG funding to determine the actual number of new hires. For existing firms, applicants must provide employment levels for the past year. The date for determining the base level of employees will be the application submission date. Only jobs that the assisted business creates directly within a 24-month period following grant award will usually be counted toward this requirement. The Department cannot consider jobs created indirectly by an assisted activity (i.e., "trickle-down" jobs).

Fifty-one percent (51%) of all jobs created by the business during the term of the project must be

filled by or made available to LMI persons. This applies even if more jobs are created than were originally projected.

For projects involving the retention of jobs, the income levels should be documented for the prior year's income of the family. The verification forms should be completed no more than 30 days before submittal of the application. The application must provide clear and objective evidence that, in the absence of the CDBG assistance, the jobs will be lost. The business will have to commit to filling as many new job openings from turnover and job creation as is reasonably possible with low and moderate-income persons. The full application must include a complete listing of all existing jobs by title, race, ethnicity, gender and handicapped status. **The application must indicate which positions are currently held by low and moderate-income persons.** The business should provide an estimate of its expected job turnover rate during the next two years, especially if job turnover will be counted toward the low and moderate-income benefit percentage.

Businesses claiming retention of jobs must submit with the full application documentation of existing employees eligible to be considered low and moderate income by using the forms for the Calculation of Benefit to Low and Moderate Income Persons (Form #1), and the Employment Tracking and Direct Benefit Summary (Form #2) found at end of this exhibit.

Grantees must ensure that they maintain complete hiring records. Grantees must also ensure that the assisting agency and the assisted business maintain complete records. Federal regulations and reporting requirements require that racial, ethnic and gender characteristics information be maintained for all job applicants as well as new hires.

Applicants should take into consideration equal opportunity and nondiscrimination laws to ensure that women and minorities are not excluded from participation, denied the benefit of, or subjected to discrimination under any program or activity funded in whole or in part with CDBG funds.

3. Making Jobs Available to LMI

The best situation, and one that MDOC highly recommends, would involve requiring that the positions considered available to low and moderate-income persons actually be filled by low and moderate income persons. This approach is more easily documented and defensible. When this is not possible, the business must be able to document that it gave first consideration to low and moderate-income persons during the hiring process. First consideration means that a business gives objective consideration to the employment of low and moderate-income persons. "Objective consideration" must involve the business at least interviewing a sufficient number of low and moderate-income persons so as to provide the maximum opportunity for filling the position with low and moderate-income persons. The U.S. Department of Housing and Urban Development (HUD) developed the "first consideration" approach with the expectation that, in most instances where it is applied, the outcome will be that more than 51% of the persons hired will be low and moderate income. The business will be required to consider a sufficient number of low and moderate-income job applicants to meet the intent of this requirement. The grantee must ensure that there is adequate documentation available to show what jobs were created, what process was used for "first consideration", which low and moderate-income persons were considered for such jobs, and which of those persons were hired. (Consult the Business Resources Division-CDBG staff if uncertain whether a job to be created would be considered "made available to" low and moderate-income persons, and for steps to take to ensure that low and moderate-income persons are able to apply for available jobs.)

HUD has accepted retained jobs actually held by low and moderate-income persons, considering their family income and size, as jobs made available to low and moderate income persons.

B. THRESHOLDS FOR FUNDING

Public Benefit Test - CDBG Cost Per LMI Job

The amount of non-administrative CDBG funds requested must not exceed \$25,000 for each job created or retained by the business or economic development activity. This is determined by dividing the total number of permanent full-time or full-time equivalent jobs to be directly created or retained by the assisted business into the total amount of the non-administrative CDBG funds requested. This amount does not apply to employee training. The maximum amount of non-administrative CDBG funds per job for employee training is \$5,000.

Projects that the Department determines to qualify as providing benefits to low and moderate income persons in an area that has a population of at least 51% low and moderate income persons (area-wide benefit) have to meet the public benefit test of not more than \$35,000 of non-administrative CDBG funds per job. Applicants must contact the Department for a determination whether a project qualifies as an area-wide benefit activity.

Applicants should take into consideration equal opportunity and nondiscrimination laws to ensure that women and minorities are not excluded from participation, denied the benefit of, or subjected to discrimination under any program or activity funded in whole or in part with CDBG funds.

CALCULATION OF BENEFIT TO LOW AND MODERATE INCOME
PERSONS

Communities with a local CDBG economic development project must use the following format for job applicants and new hires for jobs created or retained to document the family income. See **Appendix E** in the *CDBG Program Guidelines*, which contains income figures for the upper limits of "moderate" (lower) income, according to household size, for each county in the State. New income figures are available each spring from the Department of Housing and Urban Development. The new income figures will be sent to current grantees as soon as they are available. **The figures for "moderate" income for the county in which the project will be located should be placed under the appropriate spaces on the form for each family size.** A low and moderate income person is defined as a member of a family whose income from the previous year does not exceed 80% of the median income for the state or county, whichever is higher.

The income level stated for the form can be based on either the previous 12 months before the date the form is signed or on the income reported on the most recent income tax form submitted to the Internal Revenue. If the job applicant has been qualified under the Job Training Partnership Act (except for the Displaced Workers Program), this form does not have to be filled out. The agency that screened the JTPA income level for the individual should provide verification to the local government for its files. The method used should be consistent. It is often difficult for an individual to determine accurately the income for the previous 12 months, which would necessitate using the reported income tax statement for the most recent tax year.

NOTE: The form included here is the acceptable format. Other variations of the form may not meet HUD guidelines, and the Department must review other variations before they are used. The form used must have the warning that income may be verified and penalties could be imposed for false statements. The Job Training Partnership Act income screening process is acceptable for persons participating in a JTPA program. Information obtained from the applicant should be sufficient to complete the Employment Tracking and Direct Benefit Summary Form (Form #2) following this form.

Income Certification for Job Creation and/or Retention

The following information is necessary for purposes of documenting you qualify as an LMI person under our community's Community Development Block Grant (CDBG) project. The CDBG Program is a federal program intended to assist "low and moderate income families." Your response will be kept confidential and will not be available to the general public.

Included in the federal definition of "annual income" are all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family who is not a minor. Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts, minus operating expenses, received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
8. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse.

CDBG INCOME LIMITS BY SIZE OF HOUSEHOLD

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
\$	\$	\$	\$	\$	\$	\$	\$

I certify that, after reviewing the definition of "annual income" above, the total gross income of all members of my family for year **20**____ (*or the previous 12 months from the date the form is filled out*)

exceed the amount listed above for the size of my family. I further certify that the above statement is true, accurate, and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

☐ **does not**

☐ **does**

Applicant's Signature

Applicant's Printed Name

Address

Date

NOTE: Section 1001 of Title 18 of the United States Code and Criminal Procedure shall apply to the foregoing certification. Title 18 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned not more than five years or both.

SAMPLE CDBG INCOME LIMITS BY SIZE OF HOUSEHOLD

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
\$20,350	\$23,250	\$26,150	\$29,050	\$31,350	\$33,700	\$36,000	\$38,350

(Note to Person Preparing Form: Insert the appropriate "moderate" (lower) income limits above for each size of household.)

I certify that, after reviewing the definition of "annual income" above, the total gross income of all members of my family for year **2000** (or the previous 12 months from the date the form is filled out)

☐ **does not**

exceed the amount listed above for the size of my family. I further certify that the above statement is true, accurate, and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

☐ **does**

Applicant's Signature

Applicant's Printed Name

Address

Date

NOTE: Section 1001 of Title 18 of the United States Code and Criminal Procedure shall apply to the foregoing certification. Title 18 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned not more than five years or both.

SAMPLE INCOME LIMITS

MONTANA DEPARTMENT OF COMMERCE ANNUAL INCOME LIMITS--SECTION 8

PUBLISHED BY HUD 1-27-99

LOW (80%) INCOME LIMIT (=MODERATE INCOME FOR CDBG)

COUNTY NAME	NUMBER OF PERSONS IN FAMILY							
	1	2	3	4	5	6	7	8
PERSONS	PERSONS	PERSONS	PERSONS	PERSONS	PERSONS	PERSONS	PERSONS	PERSONS
Beaverhead	20,350	23,250	26,150	29,050	31,350	33,700	36,000	38,350
Big Horn	20,350	23,250	26,150	29,050	31,350	33,700	36,000	38,350
Blaine	20,350	23,250	26,150	29,050	31,350	33,700	36,000	38,350

Broadwater	20,350	23,250	26,150	29,050	31,350	33,700	36,000	38,350
Carbon	20,350	23,250	26,150	29,050	31,350	33,700	36,000	38,350

Federal Standards for Definition of Low and Moderate Income Status
(Income eligibility standards from the U.S. Housing Act of 1937)

Section 889.103. Determination of income for eligibility.

For purposes of determining whether a family is a lower-income family ("moderate income") for CDBG purposes) or a very low-income family, ("low income" for CDBG purposes), income shall be determined in accordance with Section 889.104, except that where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

Section 889.104. Computation of annual income.

- (a) Except as provided in paragraph (b) of this section, all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:
- (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
 - (2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
 - (3) Interest and dividends;
 - (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
 - (5) Payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay (see paragraph (8) (b) (3) of this section).
 - (6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
 - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
 - (ii) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities.
 - (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
 - (8) All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse (see paragraph (8) (b) (5) of this section).
- (b) The following items shall not be considered as income:
- (1) casual, sporadic or irregular gifts;
 - (2) amounts which are specifically for or in reimbursement of the cost of medical

- expenses;
- (3) lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses;
 - (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes of which are available for subsistence are to be included in income;
 - (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
 - (6) Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
 - (7) foster child care payments;
 - (8) the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
 - (9) payments received pursuant to participation in the following volunteer programs under the ACTION Agency;
 - (i) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (ii) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

FORM #2

EMPLOYMENT TRACKING & DIRECT

BENEFIT SUMMARY FORM

INSTRUCTIONS FOR COMPLETING FORM(S)

General Information

The family income is considered as of the time the jobs are filled, not after the low and moderate income person is hired into the position. For new hires, income is determined for the year prior to the date the person is hired. For projects retaining jobs, the income levels should be documented for the prior year's income of the family.

NOTE: Businesses claiming retention of jobs should have submitted this form or its equivalent with the application to document existing employees eligible to be considered low and moderate income. The form must indicate which positions are currently held by low and moderate income persons. The application must have provided clear and objective evidence that, in the absence of the CDBG assistance, the jobs would have been lost, and the business had to commit to filling as many new job openings from turnover and job creation, if any, as reasonably possible with low and moderate income persons.

For each quarter—fill out the Form for all new hires, being sure to update “Total Positions to Date” as well as the “Total Number of LMI Hires to Date.” Photocopy forms filled out for the previous quarters, noting any terminations in Column 11, and attach them to the Form(s) for the current quarter. It is not necessary to recreate the information from previous quarters.

If you have an employee that terminated and is later rehired, the person is treated the same as a “new hire.” A new Income Certification form must be filled out, since the person’s LMI status may have changed during the intervening time period.

NOTE: HUD has changed its policy on Federal data collection for race and ethnicity. Please note that new race categories have been added to this Exhibit, and also an added column for ethnicity. Both columns need to be filled out for each employee reported. For additional information on these new categories, please visit the federal website:

<http://www.whitehouse.gov/omb/fedreg/ombdir15.html>.

Instructions for Heading

1. Enter the name of the grantee – i.e., the name of the city, town or county
2. Enter the name of the assisted business or other entity
3. Enter your CDBG Contract Number (MT-CDBG-XXED-XX)
4. Enter the calendar quarter (month/day/year) for which this form is being completed (e.g., March 31, XXXX; June 30, XXXX; September 30, XXXX; December 31, XXXX)
5. Enter the Total (Cumulative) Number of FTEs **in training/trained** from the beginning of the project through the end of the current quarter.
6. For projects proposing to create new jobs: Enter the Total (Cumulative) Number of New Positions **Created** from the beginning of the project through the end of the current quarter. This number would include the Total (Cumulative) Number of New FTEs **actually hired as permanent employees after completing the training program and probationary period**. Ensure that jobs/positions that experience job turnover are not double-counted.

For projects proposing to retain jobs: Enter the Total Number of Employees. Unless the assisted entity is proposing to create some new jobs along with job retention, this number will not change throughout the term of the project.
7. Enter the name of the person who verified the information on this form for this quarter.

NOTE: The DOC recommends that the project manager, the job service, or other assisting agency fill out this form. If someone from the assisted entity (the business) fills out this form, the project manager, the job service, or other assisting agency should perform (and document) independent tests to verify that the information is correct.
8. Entered the date the information on this form for this quarter was verified (the date the form was filled out)

Instructions by Column

9. Enter the employment or job **Position Number** or other unique position identifier (*a unique position identifier is **required** to ensure that jobs are not double-counted in turnover situations*), and the **Employee Name**. The Position Title is optional.
10. Enter the letter code from the *Key* at the bottom of the form:

“NHT” for a FTE in training

“NH” for a person newly hired into the position (Do **NOT** enter positions that existed prior to the implementation of this project if new positions are to be created as a result of this project.)

“R” for a retained person (in job retention situations)

11. Enter the date the person was hired
12. Enter the date the person was terminated, if applicable
13. Enter the two-letter code from the *Key* at the bottom of the form:
“**FT**” for Full-time – the person works at least 40 hours per week
“**PT**” for Part-time – the person works **less than 40 hours per week**
14. **All positions must be converted to “Full Time Equivalents” (FTEs).**
If the person was hired into a position that works 40 hours per week, enter a “**1.0**” in this column.
If the person was hired into a position that works **less than 40 hours per week, the FTE must be calculated as a fraction or percent of a 40-hour workweek, and entered in this column.** For example:
20 hrs/wk = 0.5 FTE (20 hrs / 40 hrs); enter **0.5** in the column
30 hrs/wk = 0.75 FTE (30 hrs / 40 hrs) enter **0.75** in the column
15. Enter the one-letter code from the *Key* at the bottom of the form:
“**P**” for a permanent, year-round, 12-month position (can be full-time or part-time)
“**S**” for a seasonal (not year-round) position (can be full-time or part-time)
NOTE: Permanent, year-round jobs are the priority of the program. **Only permanent jobs may usually be counted.** Temporary construction jobs, other temporary jobs and some seasonal jobs may not be counted. Projects involving primarily seasonal jobs are not generally acceptable under federal CDBG requirements. In order to be counted, a seasonal job must be the **primary occupation** and the **principal source of income** to the low- to moderate-income person for the year. This situation is very difficult to document and is not encouraged for CDBG projects.
16. Enter the **hourly** rate for **all** positions, even salaried positions.
17. Has the person been verified as being LMI? Enter a “**Y**” for “Yes” or an “**N**” for “No” in the column.

For new hires, the *Income Certification for Job Creation and/or Retention (Form #1)* should be completed at the time a person applies for or is hired into a job. For job retention situations, the verification forms should have been completed no more than 30 days before submittal of the CDBG application
18. Enter a “Y” if the employee is of Hispanic or Latino ethnicity, or an “N” if the employee is not of Hispanic or Latino ethnicity. Hispanic or Latino ethnicity is defined as a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. **This field is a mandatory HUD requirement.**

19. Enter the one-digit code from the *Key* at the bottom of the form that corresponds to the appropriate Racial Category (R.C.) for the employee. **This field is a mandatory HUD requirement.**
20. Check if employee is **Male**
21. Check if employee is **Female**
22. Check if employee is **Handicapped**
23. Check if employee is a **Female Head of Household (This field is a mandatory HUD requirement)**

ADDITIONAL CDBG ED JOB TRACKING GUIDANCE

1. The goal is that at least 51% of the total people hired into new jobs meet low and moderate-income guidelines. Actual number will be specified in the contract.
2. Ways to document "good faith effort":
 - a. Have all applicants (total applicant pool) documented as to meeting/not meeting income guidelines.
 - 1) All applicants must sign form 8-E.3
 - OR--**
 - b. Only document income guidelines on people hired
 - c. Position should be identified by number or other unique identifier
 - 1) Example: 4 new machinist positions are created -- each of those 4 positions would have a different position number: #13, #14, #15, and #16.
 - a) You hire a person who did not meet income guidelines for machinist position #13 / They (for whatever reason) terminate employment / You replace them with another person for position #13 who did meet guidelines / The replacement would count towards the LMI hiring goal.
 - b) **IMPORTANT:** A position can only be counted once when determining the number of new positions created. Further, over the course of the project, if 3 people were hired for one of the newly created positions (#13), at least one person must meet Low-Moderate income guidelines to count toward the 51% LMI goal.
3. Other requirements:
 - a. Quarterly reports must be submitted to the local government grantee, which in turn submits them to the Department of Commerce. Directions are attached to the form. Attach a photocopy of previous quarterly report to the current quarterly report.
 - b. The local government grantee is responsible for ensuring that the original documents are kept on file. The Job Service or the project administrator can keep the files. The assisted business should also keep copies.
 - c. All records must be kept for 3 years after **final** closeout of the contact.

EMPLOYMENT TRACKING & DIRECT BENEFIT SUMMARY DATA

NAME OF LOCAL GOVERNMENT: 1 Form Completed for the Quarter Ended: 4

NAME OF ASSISTED ENTITY/BUSINESS: 2 Total Positions to Date/Total LMI Hires to Date: 5 / 6

CDBG CONTRACT #: 3 Payroll Verified by: 6 Date: 7

POSITION NUMBER/TITLE EMPLOYEE NAME	HIRE STATUS*	DATE HIRED	DATE TERMINATED	FT / PT	FTE	P / S	RATE OF PAY	LOW/MOD INCOME?	R.E.C.**	M	F	H	FHH
8	9	10	11	12	13	14	15	16	17	18	19	20	21

KEY *Hire Status

NH = New Hire
R = Retained

**R.E.C. - Racial/Ethnic Category:

1. White
2. Black
3. Native American/Alaska Native
4. Hispanic
5. Asian/Pacific Islander

M = Male

F = Female

H = Handicapped

FHH = Female Head of Household

FT / PT = Full-time -or-- Part-time (< 40 hrs/wk)

FTE = Full Time Equivalent (*Part-time jobs must
be converted to full-time equivalents*)

P / S = Permanent --or-- Seasonal

NOTE: A full-size version of this form is available from the MDOC, either a paper copy or as an Microsoft EXCEL file – INSERT A

EMPLOYMENT TRACKING & DIRECT BENEFIT SUMMARY DATA

NAME OF LOCAL GOVERNMENT: _____

Form Completed for the Quarter Ended: _____

NAME OF ASSISTED ENTITY/BUSINESS: _____

Total Positions to Date/Total LMI Hires to Date: _____ / _____

CDBG CONTRACT #: _____

Payroll Verified by: _____ Date: _____

POSITION NUMBER/TITLE EMPLOYEE NAME	HIRE STATUS*	DATE HIRED	DATE TERMINATED	FT / PT	FTE	P / S	RATE OF PAY	LOW/MOD INCOME?	R.E.C.**	M	F	H	FHH

KEY *Hire Status

NH = New Hire
R = Retained

**R.E.C. - Racial/Ethnic Category:

1. White
2. Black
3. Native American/Alaska Native
4. Hispanic
5. Asian/Pacific Islander

M = Male

F = Female

H = Handicapped

FHH = Female Head of Household

FT / PT = Full-time -or-- Part-time (< 40 hrs/wk)

FTE = Full Time Equivalent (*Part-time jobs must
be converted to full-time equivalents*)

P / S = Permanent --or-- Seasonal

NOTE: A full-size version of this form is available from the DOC, either a paper copy or as an Microsoft EXCEL file - INSERT B

INSTRUCTIONS FOR COMPLETING THE EMPLOYMENT TRACKING & DIRECT BENEFIT SUMMARY DATA FOR CUSTOMIZED EMPLOYEE TRAINING ACTIVITIES

NOTE: Your actual form may be different depending on how your project is structured.

Instructions for Heading

1. Enter the name of the grantee – i.e., the name of the city, town or county
2. Enter the name of the assisted business or other entity
3. Enter your CDBG Contract Number (MT-CDBG-XXED-XX)
4. Enter the calendar quarter (month/day/year) for which this form is being completed (e.g., March 31, XXXX; June 30, XXXX; September 30, XXXX; December 31, XXXX)
5. Enter the Total (Cumulative) Number of New FTE **in training/trained** from the beginning of the project through the end of the current quarter.
6. Enter the Total (Cumulative) Number of New FTE **actually hired as permanent employees after completing the training program and probationary period**, if applicable, from the beginning of the project through the end of the current quarter.
7. Enter the name of the person who verified the information on this form for this quarter

NOTE: The MDOC strongly recommends that the project manager, the job service, or other assisting agency fill out this form. If someone from the assisted entity (the business) fills out this form, the project manager, the job service, or other assisting agency should perform (and document) independent tests to verify that the information is correct.

8. Entered the date the information on this form for this quarter was verified (the date the form was filled out)

Instructions by Column

9. Enter the employment or job **Position Number** or other unique position identifier, Position Title and the **Employee Name**.
10. Date Hired / Promoted
 - a. Enter the date the person was hired as a trainee

- b. Enter the date the person completed the training program and probationary period, if applicable, and was hired as a permanent employee of the company
11. Date Terminated, if applicable
- a. Enter the date the person was terminated as a trainee, if applicable
- b. Enter the date the person was terminated after being hired as a permanent employee of the company, if applicable
12. Enter the two-letter code from the *Key* at the bottom of the form:
- a. While in the training program
- b. After being hired as a permanent employee by the company
- “**FT**” for Full-time – the person is in training or works at least 40 hours per week
 - “**PT**” for Part-time – the person is in training or works **less than 40 hours per week**
13. **All positions must be converted to “Full Time Equivalents” (FTEs).**
- a. While in the training program
- b. After being hired as a permanent employee by the company
- If the person is in training or was hired permanently into a position that works 40 hours per week, enter a “**1.0**” in this column.
 - If the person is in training or was hired permanently into a position that works **less than 40 hours per week, the FTE must be calculated as a fraction or percent of a 40-hour workweek, and entered in this column.** For example:
- 20 hrs/wk = 0.5 FTE (20 hrs / 40 hrs); enter **0.5** in the column
- 30 hrs/wk = 0.75 FTE (30 hrs / 40 hrs) enter **0.75** in the column
14. Enter the one-letter code from the *Key* at the bottom of the form, after the person has completed the training program and probationary period, if applicable:
- “**P**” for a permanent, year-round, 12-month position (can be full-time or part-time)
 - “**S**” for a seasonal (not year-round) position (can be full-time or part-time)

NOTE: Permanent, year-round jobs are the priority of the program. **Only permanent jobs may usually be counted.** Temporary construction jobs, other temporary jobs and some seasonal jobs may not be counted. Projects involving primarily seasonal jobs are not generally acceptable under federal CDBG requirements. In order to be counted, a seasonal job must be the **primary occupation** and the **principal source of income** to the low- to moderate-income person **for the year**. This situation is very difficult

to document and is not encouraged for CDBG projects.

15. Enter the **hourly** rate of pay
 - a. While in the training program
 - b. After being hired as a permanent employee by the company
16. Has the person been verified as being LMI? Enter a “**Y**” for “Yes” or an “**N**” for “No” in the column.
 - The *Income Certification* form (Exhibit 8-E.2 and 8-E.3) should be completed at the time a person applies for or is hired into the training position.
17. Enter the one-digit code from the *Key* at the bottom of the form that corresponds to the appropriate Racial/Ethnic Category (R.E.C.) for the employee. **This field is a mandatory HUD requirement.**
18. Check if employee is **Male**
19. Check if employee is **Female**
20. Check if employee is **Handicapped**
21. Check if employee is a **Female Head of Household (This field is a mandatory HUD requirement)**

SAMPLE EMPLOYMENT TRACKING & DIRECT BENEFIT SUMMARY DATA FOR CUSTOMIZED EMPLOYEE TRAINING ACTIVITIES

NAME OF LOCAL GOVERNMENT 1 Form Completed for the Quarter Ended: 4

NAME OF ASSISTED ENTITY/BUSINESS: 2 Total FTE Trained to Date / Total LMI Trained to Date: 5 /

CDBG CONTRACT #: 3 Total FTE Hired to Date / Total LMI Hired to Date: 6 /

Verified by: 7 Date: 8

POSITION NUMBER/TITLE EMPLOYEE NAME	HIRE STATUS*	DATE HIRED/ PROMOTED	DATE TERMINATED	FT / PT	FTE	P / S	HOURLY RATE OF PAY	LOW/MOD INCOME?	R.E.C. **	Check All That Apply			
										M	F	H	FHH
<u>9</u>	NHT	<u>10a</u>	<u>11a</u>	<u>12a</u>	<u>13a</u>		<u>15a</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>
	PE	<u>10b</u>	<u>11b</u>	<u>12b</u>	<u>13b</u>	<u>14</u>	<u>15b</u>						
	NHT												
	PE												
	NHT												
	PE												
	NHT												
	PE												

KEY *Hire Status

NHT = New Hire

PE = Permanent Employee

**R.E.C. - Racial/Ethnic Category:

1. White

2. Black

3. Native American/Alaska Native

4. Hispanic

5. Asian/Pacific Islander

M = Male

F = Female

H = Handicapped

FHH = Female Head of Household

FT / PT = Full-time -or-- Part-time (< 40 hrs/wk)

FTE = Full Time Equivalent (*Part-time jobs must
be converted to full-time equivalents*)

P / S = Permanent --or-- Seasonal

NOTE: A full-size version of this form is available from the MDOC, either a paper copy or as an Microsoft EXCEL file – INSERT C

EMPLOYMENT TRACKING & DIRECT BENEFIT SUMMARY DATA

CDBG LMI GUIDELINES -- DOCUMENTING BENEFIT TO LOW AND MODERATE INCOME PERSONS
Montana Department of Commerce

L-23

February, 2004

FOR CUSTOMIZED EMPLOYEE TRAINING ACTIVITIES

NAME OF LOCAL GOVERNMENT: _____

Form Completed for the Quarter Ended: _____

NAME OF ASSISTED ENTITY/BUSINESS: _____

Total FTE Trained to Date/ Total LMI Trained to Date: _____/ _____

CDBG CONTRACT #: _____

Total FTE Hired to Date / Total LMI Hired to Date: _____/ _____

Verified by: _____ Date: _____

POSITION NUMBER/TITLE EMPLOYEE NAME	HIRE STATUS*	DATE HIRED/ PROMOTED	DATE TERMINATED	FT / PT	FTE	P / S	HOURLY RATE OF PAY	LOW/MOD INCOME?	R.E.C. **	Check All That Apply			
										M	F	H	FHH
	NHT												
	PE												
	NHT												
	PE												
	NHT												
	PE												
	NHT												
	PE												
	NHT												
	PE												

KEY *Hire Status

NHT = New Hire Trainee
PE = Permanent Employee

**R.E.C. - Racial/Ethnic Category:

1. White
2. Black
3. Native American/Alaska Native
4. Hispanic
5. Asian/Pacific Islander

M = Male

F = Female

H = Handicap

FHH = Female Head of Household

FT / PT = Full-time -or-- Part-time (< 40 hrs/wk)

FTE = Full Time Equivalent (*part-time jobs must
be converted to full-time equivalents*)

P / S = Permanent --or-- Seasonal